Austria Sch 23	Indonesia Rp 2500	Philippines Pes 20
Bahrain Din 0.650	Israel IS 3.50	Portugal Esc 100
Belgium BFr 45	Italy L 1500	S. Arabia Rls 6.00
Canada C$1.00	Japan Y 150	Singapore S$ 4.10
Cyprus C£0.70	Jordan Fils 500	Spain Pta 125
Denmark DKr 8.00	Kuwait Fils 500	Sri Lanka Rup 30
Egypt E£1.00	Lebanon LL 25.00	Sweden SKr 7.00
Finland Fmk 5.50	Luxembourg LFr 45	Switzerland SFr 2.20
France Fr 6.50	Malaysia Rit 4.25	Taiwan NT$ 35
Germany DM 2.20	Mexico Pes 300	Tunisia Din 1.275
Greece Dr 80	Morocco Dh 6.00	Turkey L 350
Hong Kong HK$ 12	Netherlands Fl 2.75	U.A.E. Dh 6.50
India Rup 15	Norway Kr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,028 — Wednesday September 10 1986

Mexican inflation fears return to haunt, Page 6

World news

Coretta King snubs Botha

Coretta King, widow of Martin Luther King, the American civil rights leader, failed to turn up for a meeting with President P.W. Botha in an apparent snub to the South African leader.

Mrs King, criticised by black anti-apartheid leaders for requesting the meeting with Botha in Cape Town, changed her mind at the last minute and said she needed more time to consider South Africa's complex problems.

In Pretoria, three black African National Congress guerrillas were hanged for their part in a bomb attack and a murder, despite last-minute appeals for clemency. Page 4

Beirut kidnapping

The pro-Iranian Islamic Jihad group said it abducted American school director Frank Reed in Moslem-held west Beirut, the first kidnapping of a US citizen in Lebanon in 15 months. The group holds at least three other Americans. Page 4

Arab terror threat

Arab terrorists who claimed responsibility for the bomb attack in central Paris on Tuesday that killed one person and wounded 18 issued a violently worded statement from Beirut pledging to widen the "war" against the Government of Mr Jacques Chirac. Earlier story Page 3

Hijacker escape bid

One of four Palestinian gunmen held after the Karachi hijacking hit a security guard and tried to escape from hospital but was overpowered and transferred to an undisclosed location, Pakistani police sources said. General denies rescue delay, Page 4

Iraq raid "kills 16"

Tehran said 16 civilians were killed when Iraqi aircraft raided an oil refinery and other targets in northern Iran.

Nato mock attack

Nato amphibious forces staged a successful mock assault on southern Norway, landing about 10,000 British, Dutch and US marines in a test of the alliance's ability to reinforce the country in times of crisis.

Brazil strike threat

More than 1.5m Brazilian workers, protesting at the Cruzado anti-inflation package, are threatening an indefinite nationwide strike from Thursday if demands for salary increases are not met, union sources said. Page 6.

Riot warrants

Warrants were signed in London for the arrest of 26 Liverpool soccer fans allegedly involved in the Heysel Stadium riot in Brussels last year in which 38 people died. There will be a hearing at London's Bow Street court to decide whether the supporters can be extradited to Belgium to stand trail.

Mexico quake toll

Almost a year after Mexico's devastating earthquakes, a spokesman for the victims said nearly 45,000 people died in the capital, not 4,800 as previously announced by the Government. Inflation fears Page 6

Women's petition

Margaret Papandreou, American-born wife of Greece's Prime Minister, said she planned to collect millions of signatures from wome worldwide for a petition calling on the US and Soviet leaders to end the arms race and nuclear tests.

Karpov loses

World chess challenger Anatoly Karpov resigned the 14th game of his world championship match in Leningrad against title-holder Gary Kasparov, who now leads 8-6.

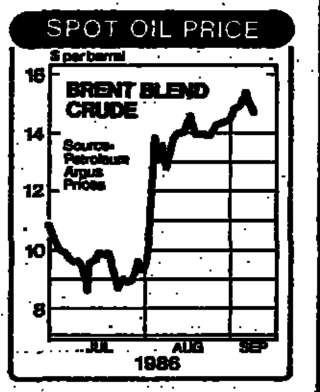
Business summary

Delta Air acquires Western for $860m

DELTA Air Lines, sixth largest US carrier, agreed to acquire Western Air, Los Angeles-based carrier, through a share and cash deal valued at $860m. Western holders will receive $12.50, split equally between cash and stock in Delta.

OIL spot prices fell below $15 after a report claiming that Saudi Arabia exceeded its production quota last week. Brent crude for October delivery traded for as low as $14.65 a barrel, about $1 lower than at the end of last week. Page 38

SPOT OIL PRICE



WALL STREET: The Dow Jones industrial average closed down 4.50 at 1,884.14. Page 46

LONDON: Gilts plummeted in response to poor money statistics but equities remained mostly unaffected. The FT Ordinary share index gained 7.4 to 1,331.1 and the FT-SE 100 picked up 6.8 to 1,673.4. Page 46

TOKYO: Prices were driven lower in light selling. The Nikkei average shed 78.16 to 18,474.09. Page 46

DOLLAR closed in New York at DM 2.0655; SFr 1.67975; FFr 6.7445 and Y155.55. It fell in London to DM 2.0600 (DM 2.0715); SFr 1.6750 (SFr 1.6890); FFr 6.7300 (FFr 6.7750); and Y155.60 (Y156.10). On Bank of England figures the dollar's exchange index fell 0.3 to 110.9. Page 38

STERLING closed in New York $1.480. It fell in London to $1.4835 ($1.4870); DM 3.0550 (DM 3.0600); SFr 2.4850 (SFr 2.5125); FFr 9.9850 (FFr 10.0750), and Y230.75 (Y232.0). The pound's exchange rate index fell 0.3 to 71.4. Page 38

GOLD fell $4 to $412.00 on the London bullion market. It also fell in Zurich to $411.50 from $417.375. In New York the Comex December settlement was $414.40. Page 39

WILLIAM SIMON, New Yorks financier and former US Treasury Secretary, has bought Honolulu Federal Savings and Loan, Hawaii's largest thrift institution in a plan to build a network of banking institutions. Page 21

CHASE Manhattan, leading creditor of the troubled Hong Kong shipping group Wah Kwong, set in motion the arrest of one of the company's vessels in New Orleans. Page 29

VOLKER, Dutch construction and dredging company, reported that weaker currency kept net income disappointingly flat at Fl 2m ($855,000) for the first half compared with the same period of 1985. Page 21

MONTEDISON, Italian chemicals group, is to raise $532m to finance its recent purchase of a key share of La Fondiaria, the Florence insurer, in a move seen to fight off an Italian financial establishment challenge. Page 21

ALLIED BANCSHARES, Texas bank least affected by the drop in oil prices, expected a $40m third-quarter loss. Page 21

ARTHUR ANDERSEN, leading international accounting firm, has lost its appeal against a $17m judgment arising from its auditing of Drysdale Securities. Page 21

BERTELSMANN, expanding West German media group, is set to take full control of RCA's music businesses in a deal worth about $300m. Page 22

General Motors to abandon British truck production

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

BEDFORD, the General Motors subsidiary which has built more than 2m medium and heavy trucks in Britain since 1931, exporting 60 per cent of them, is to phase out those operations by the end of this year, its US parent announced yesterday.

The move will result in the loss of 750 jobs and, as the result of a separate decision, 700 more workers will be made redundant in the van plant.

This follows the breakdown last March of GM's negotiations with the UK Government to buy the state-owned Rover Group's Land Rover and Leyland Truck operations, which were to have been merged with Bedford.

This is one of a series of measures being taken by GM to cut worldwide costs which so far have been felt mainly in the US.

In recent weeks GM, the world's largest automotive group, has said it must shed 25 per cent of salaried staff by 1990; quit the heavy truck manufacturing business in the US; implement redundancies at its GM Fanuc robot-making subsidiary; introduce lay-offs in its Hughes Aircraft aerospace operations; and cut $4bn to $6bn from capital expenditure projects to 1989.

Wall Street analysts predict that the group will show a third-quarter loss and show lower earnings per share this year than its major US rivals, Ford and Chrysler.

GM said Bedford, which was profitable until 1980, sustained losses totalling £187m ($278m) during the past three years and losses were still running at more than £1m a week. "We cannot continue to sustain such losses," said Mr Paul Tosch, Bedford's chief executive.

Bedford's truck plant at Dunstable, north of London, which employed about 4,500 workers at its peak, will be left with about 1,000 to continue with the company's current military trucks contract – which lasts until 1988 – and to produce spare parts and assembly kits for export.

The company is giving up production of bus chassis as well as medium and heavy trucks. It expects job cuts at both the truck and van factories will be achieved by voluntary means.

In June Bedford implemented a voluntary redundancy programme involving 1,700 jobs – 520 at Dunstable, 660 at the Luton van plant, 340 from the Luton press shop and 180 from support and administrative staffs.

GM estimated yesterday that it faces a bill of about £31.5m in redundancy and early retirement costs alone as a result of the two Bedford job-cut programmes.

Bedford made it clear that it will continue in the van business, which has been contributing about 80 per cent of its £1bn annual turnover, and will keep its product engineering group which serves the GM truck and bus group in the US. But its workforce will have been reduced from well over 10,000 at its highest to 4,000 by the end of this year.

Its decision will create a yawning gap in the UK heavy truck market – where Bedford sold 6,000 trucks last year – which will be filled mainly by imports, with serious consequences for the motor industry's balance of payments.

Trade unions reacted angrily at the news of further GM job losses and there are to be mass meetings at the Bedford plants today.

Mr Gerry Russell, national executive member of the Amalgamated Engineering Union, said: "This is a stunning blow for the workforce and the communities at Luton and Dunstable."

He said it confirmed his union's view of GM when the union opposed the US group's takeover of Leyland. "If GM cannot make a suc-

Continued on Page 20
Background, Page 11

US-Soviet meeting to go ahead despite spy charge

By Stewart Fleming in Washington

THE US Administration said yesterday that the detention by the Soviet authorities of Mr Nicholas Daniloff, an American journalist arrested on spying charges, would not cause a postponement of next week's meeting between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number.

However, the State Department emphasised that the Daniloff case did pose a threat to US-Soviet relations and that the Shultz-Shevardnadze meeting would be dominated by it if the journalist was still under arrest at the time.

The US and Soviet foreign ministers are meeting to prepare a possible summit meeting later this year between President Ronald Reagan and Mr Mikhail Gorbachev, which some observers suggest could be postponed if the Daniloff affair is not cleared up to the US's satisfaction.

President Reagan warned the Soviet Union on Monday that, if Mr Daniloff was not set free, this would become "a major obstacle" in the relations between the two countries.

The implications of Mr Daniloff's arrest for the prospects of the proposed US-Soviet summit and East-West relations in general were due to be discussed by Mr Shultz with Sir Geoffrey Howe, the British Foreign Secretary, who arrived in Washington yesterday for two days of talks with senior members of the US Administration.

The impasse over Mr Daniloff's arrest deepened yesterday when a Soviet United Nation's employee, Mr Gennadi Zakharov, being held on spying charges in New York, was indicted for spying in a case which is now linked diplomatically with the arrest of Mr Daniloff.

East-West relations were expected to figure high on Sir Geoffrey's agenda in his talks with Mr Shultz. The British Foreign Secretary and current president of the EEC Council of Ministers was also expected to discuss the content and timing of any additional economic sanctions against South Africa ahead of next week's EEC foreign ministers' meeting. The new wave of terrorist incidents was also to be discussed.

Earlier yesterday Sir Geoffrey met Mr James Baker, the US Treasury Secretary.

Bonn attacks US over rate cut pressure

BY PETER BRUCE IN BONN

THE West German Government yesterday launched another sharp attack on the US and other Western nations for trying to put pressure on it to cut interest rates and increase public spending in order to accelerate German economic growth.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, warned that such "an artificial fuelling of demand" would only lead to a new wave of inflation and eventual economic instability.

His comments, which cast new doubts over the prospects for an early reduction in West German interest rates, came hours before Chancellor Helmut Kohl met Mr Jacques Chirac, the French Prime Minister, in Paris.

Mr Kohl said the Bundesbank's autonomy had served Germany well and refused to discuss the possibility of an interest rate cut being made at the central bank's policy-making council meeting tomorrow.

Mr Stoltenberg, opening a four-day budget debate in the Bundestag, West Germany's parliament in Bonn, went on to accuse the Japanese of bearing far much more responsibility for US trade problems than Germany.

Bonn's expected current account surplus – $25bn – paled next to the $75bn in prospect for Japan. "The figures make it clear," he insisted, "that the actual problem does not lie with the German current account surplus but far more in the inequality of the balances of Japan and the US."

A SHARP increase in foreign investment in West Germany following the abolition of coupon tax on domestic bonds promises to leave the country with its first long-term capital surplus since 1981. The long-term capital account for the first seven months of 1986 is DM 25.4bn ($12.27bn) in surplus, after being DM 2.6bn in the red for the same period last year. Page 20

In a short aside, Mr Stoltenberg himself appeared to cast new doubt on whether the Bundesbank will, as has been widely expected, cut its key Lombard rate tomorrow. The Bundesbank theoretically operates independently of Bonn, but the Finance Minister said that the "federal Government and the Bundesbank practise agreed and consistent policies and judge national and international situations and problems jointly."

"An artificial stimulation of demand, using fiscal and monetary policies as a lever for a stronger international economic revival, would simply pre-programme the next inflationary wave and after that the next crisis of stability," he said. "The experience of the 1970s underscores this assessment."

Mr Stoltenberg avoided saying outright that West Germany would

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Budget ministers agree to limit EEC spending

BY QUENTIN PEEL IN BRUSSELS

THE DEADLOCK on the EEC's 1987 spending plans, caused by a split between northern and southern member states over reductions in the budget, was broken yesterday after an all-night session of budget ministers.

Agreement was reached at 7am when the previously united southern states – Italy, Spain, Greece and Portugal, backed by Ireland from the North – split and voted in opposite directions.

The northerners wanted strict limits on spending, whereas the poorer southern states fought for more to be paid out from the Brussels budget.

The Ecu 35.95bn ($37bn) draft budget now goes to the European Parliament for amendment – although its members can add only an extra Ecu 348m to the total.

Nearly 64 per cent of the budget – Ecu 22.96bn – will go to agricultural price support for the Common Agricultural Policy, an increase of 3.84 per cent over the 1985 figure.

The real battle was over how far to trim the remainder of EEC spending, on areas such as the social and regional funds (for job creation, training schemes and infrastructure), industrial research, food aid and farm spending on schemes such as hill-farm subsidies.

The biggest cuts agreed yesterday will fall on the research budget, food aid and the special farm schemes, removing more than Ecu 700m from the European Commission estimates.

The northern states, including Britain, France and West Germany, were determined to maintain budget discipline and keep spending growth in those areas to little more than 4 per cent.

Ireland and the southern states, which benefit most from the social and regional funds and from special Mediterranean region programmes, wanted a higher growth rate.

Key to the compromise presented by Mr Peter Brooke, the British Minister of State at the Treasury and chairman of the Budget Ministers' Council, was an extra Ecu 100m for Spain and Portugal to ensure they receive a fair share from the budget in their second year of EEC membership. That was enough for Spain at least.

The ministers also agreed to add an extra Ecu 50m to the Mediterranean programmes, which persuaded Greece to break ranks and join the majority, leaving only Italy, Ireland and Portugal opposed but lacking enough votes to block the budget.

Greek balance of payments, Page 3

Rise in lending fuels UK money supply

BY GEORGE GRAHAM IN LONDON

LINGERING hopes of lower UK interest rates faded to a shadow yesterday as rapid growth in bank lending fuelled a further surge in the money supply.

Bank lending rose by £2.5bn ($3.75bn) in the August banking month, the Bank of England said yesterday. This pushed sterling M3, the broad measure of money which the Government uses as a target, up by 1¼ per cent in the month.

Sterling M3 has grown by 18½ per cent over the past 12 months, well above the Government's target range of 11–15 per cent growth.

The announcement was worse than London's financial markets had expected and immediately knocked the prices of gilt-edged government securities, which have already been falling this week as hopes of cuts in West German and Japanese interest rates receded, to their lowest levels for six months.

The authorities have been concerned about the steady rise in bank lending so far this year, and yesterday's figures appear to have confirmed their view that there is no argument for lowering interest rates yet.

The case for raising interest rates, however, is thought to be scarcely any stronger, and the authorities are not expected to encourage rates to move in either direction for the time being.

Rapid monetary growth this year has been largely fuelled by lending to the personal sector – in the last

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UK buy-out boom threatened

BY WILLIAM DAWKINS IN LONDON

THE VALUE of UK management buy-outs topped £1.2bn ($1.78bn) for the first time last year, but it is feared that some deals are now failing to come off because corporate vendors are asking too much.

Those are among the preliminary conclusions unveiled yesterday of the most detailed ever assessment of this fast expanding phenomenon. Buy-outs have been catapulted from relative obscurity over the past five years so that they now account for just over a third of the number of all UK takeovers, according to the study by Mr John Coyne and Dr Mike Wright of the Centre for Management Buy-Out Research at the University of Nottingham.

The UK management buy-out market is rather smaller and less developed than its US counterpart, where around $4.5bn worth of deals are believed to have been completed last year. France has seen a small handful of management takeovers in the past two years, but this kind of venture is almost unheard of in the rest of Europe.

Buy-outs occur when managers purchase the group for which they work, often using its assets as backing to raise the purchase price. Financial institutions usually provide most of the cash, which is predominantly debt, so that the management can put up a small proportion of the purchase price but still end up holding a majority equity stake.

The UK survey records 245 buy-outs last year – more than double the 1979 total – of which 33 were for more than £5m, compared with the average of £500,000 for management acquisitions five years ago.

However, the study warns that the general rise in share prices and "consistent bullish predictions from the major analysts" have raised vendors' price expectations so high that it might get harder to finance some deals.

This is in spite of the huge weight of institutional cash being amassed to finance this type of venture. Three specialist funds alone now account for £500m. Spicer and Pegler, the accountancy firm which is funding the research with Barclays Development Capital, predicts that £5bn of City finance will be available for buy-outs next year.

But the study warns that this mountain of money might just be encouraging vendors to ask managers to pay more, rather than encouraging more buy-outs.

"It has become a remarkably general phenomenon in the UK and is touching virtually all sectors and companies of every size," said Mr Coyne yesterday. But particular impetus was coming from the present boom in mergers and acquisitions, which was producing new conglomerates that needed subsequently to divest non-core activities.

Mr Coyne said the value of buy-outs had reached £710m in the first six months of this year and could achieve up to twice the 1985 level by the end of 1986, on the assumption that quoted equity prices came down enough to make vendors less demanding.

Background, Page 11

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Yugoslav economic policy criticised

By Aleksandar Lebl in Belgrade and David Buchan in London

THE International Monetary Fund has sharply criticised Yugoslav economic policy in a report circulated to Yugoslavia's foreign government and bank creditors, the parliament in Belgrade was told yesterday.

A deputy governor of the National Bank complained to Yugoslav legislators that an IMF team had been harsher in its report, discussed by the Fund board a month ago, than it had been in comments made direct to Yugoslav officials during an earlier visit to Belgrade.

In mid-May, the IMF ceased direct supervision of the Yugoslav economy under successive standby credit arrangements, but undertook "enhanced monitoring" of the country with periodic reports, for the benefit of official and commercial creditors

The report is understood to criticise most key aspects of current government policy

The IMF expresses concern that interest rates, far from rising to match inflation, are now about half the level of the 90 per cent a year rate of price rises, that the exchange rate is no longer being adjusted downwards against Western currencies, and that self-defeating administrative controls are being used to tackle inflation.

Warsaw counts cost of joining IMF

BY EDMUND PIETRZAK*

Poland re-joined the International Monetary Fund in June, after a 36-year absence. But the debate about the benefits and drawbacks of membership rages on inside the country. A Polish reform economist spells out the pros and cons.

THE MARKET-ORIENTED rules and operations of the International Monetary Fund and World Bank are often considered incompatible with economic central planning and a vigorous debate is continuing among Polish politicians and economists as to the balance of costs and benefits from membership.

Benefits are seen to include:

- Access to IMF and World Bank loans and easier access to private financial markets.
- Support for domestic economic reform.
- Help in handling external debt.

Access to IMF loans is tied to the size of Poland's membership quota, set at 680m Special Drawing Rights ($748m at current rates). Under present guidelines a member can draw on Fund resources up to 600 per cent of its quota, up to SDR 4.08bn for Poland.

As the examples of Hungary and Yugoslavia have shown however, World Bank loans to Poland may amount to more, especially in the short term, than Fund assistance. Bank project aid is sure to be quicker to negotiate than an IMF adjustment programme.

As far as private financial markets are concerned, experience has generally shown that one dollar borrowed from the Fund enables a member to borrow six more from the private markets. Given Poland's severe balance of payments problems, however, the ratio will be less.

Polish officials describe the country's economic reform plan as "very similar to that upon which the Fund's rules and operations are based." Success of the reforms is in the interest of both Polish reformists and the West. Failure, as in the late 1950s and early 1970s, would lead either to abandonment of the reforms or replacement of reformists by hard-liners.

Poland's external debt position could be helped by mediation by the IMF between Poland and its private and official creditors. The experience of other indebted IMF members shows that this mediatory function of the Fund is beneficial to both creditors and debtors.

Assessing the costs of membership is more subjective. But there are three obligations in the IMF Articles of Agreement which are believed to be especially troublesome for socialist countries. They are:

- The supply of information to help the Fund "understand" a member's economy;
- The goal of currency convertibility;
- A uniform exchange rate.

Socialist countries have never been eager, it is widely thought, to release information about themselves, but Poland is likely to follow the open attitude of Hungary, Yugoslavia and China.

It has already given a lot of information to its creditors in rescheduling negotiations, and is unlikely to keep the IMF and World Bank any worse informed.

Under IMF article 8, currency convertibility is a declared goal of Fund members. The IMF is hardly likely to push Poland hard on this issue soon, however, given that only 60 of its members have convertible currencies and 91 do not.

But it has a right to demand some move towards convertibility. It uses the concept of external financial convertibility, by which a non-resident can acquire and hold the currency in question and freely convert it into another one.

This in practice would mean the currency being "commodity convertible"—that is, foreigners would be able to convert their Polish zloty holdings into Polish goods and services.

Even if Poland had the hard currency to make the zloty financially convertible, it, like other centrally planned economies, could not make its currency "commodity convertible." This is because there is no market in investment goods, which are regulated by plan directives; the principle of a state monopoly on foreign trade and exchange prevents non-residents from having direct access to producers of exportable goods or services; and centrally planned trade with Comecon partners would be disrupted.

A single exchange rate is also impossible because Comecon countries' trade is planned and their currencies inconvertible. But since 1982 the Polish exchange rate structure has been simplified to three rates, two covering transactions with socialist partners and a third, defined in terms of the US dollar, for all other transactions.

There is one further possible disadvantage to membership. Since Poland is likely to seek as much in IMF loans as possible, tight conditionality is certain to be attached to its drawings. But if traditional IMF criteria were applied to Poland, they might put it under strong deflationary pressure instead of boosting it.

The weakest point of the Polish economy is its low productivity. Any successful IMF programme must increase it.

* *Edmund Pietrzak is assistant professor at Gdansk University's Institute of Foreign Trade.*

Poland signs rescheduling agreements

By Patrick Blum in Vienna

POLAND and its main Western commercial creditors signed agreements yesterday in Vienna rescheduling 95 per cent of its principal debt repayments owed for 1986 and 1987, a Bank of America spokesman said last night.

The rescheduling was agreed in June but the signing ceremony was postponed from August because most bankers were on holiday.

A statement from the Bank said the aim of the new agreements was to assist Poland to "continue meeting its obligations to foreign creditors and to provide a framework under which it is hoped that further voluntary financing will be forthcoming

Poland joined the IMF in June in a move which the Polish authorities hoped would help to bring about a normalisation of relations with Western financial institutions.

Poland is expected to seek further trade financing and it is hoped that the agreements signed yesterday will encourage more Western banks to take part.

The agreements postpone for four years the repayment of about $2bn owed for 1986 and 1987, the spokesman said. Poland's total commercial and government debt is estimated at about $31bn (£20.9bn).

West awaits Soviet stance on inspections

BY SARAH WEBB IN STOCKHOLM

MR OLEG GRINEVSKY, head of the Soviet delegation at the European Security Conference, flew back to Stockholm yesterday after high level talks in Moscow at the beginning of this week.

Delegates at the conference, which has been running since January 1984, and is due to finish next week, are now waiting for an announcement from the Soviet delegation about aerial inspections of military activities.

This follows unconfirmed reports from Moscow last Friday that the Soviet Union would be prepared to allow aerial inspections of military activities inside its territory from aircraft provided by neutral or non-aligned countries.

However, in a statement to TT, the Swedish news agency, Mr Grinevsky said that the Soviet Union had not accepted the compromise proposal of using neutral aircraft for aerial inspection and that this would be both impractical and unsuitable.

Mr Blaise Schenk, head of the Swiss delegation, and Mr Pierre Aubert, the Swiss Foreign Minister, held private talks with Mr Eduard Shevardnadze, the Soviet Foreign Minister in Moscow last Friday.

According to Mr Schenk, Mr Shevardnadze said that the Soviet Union would be prepared to accept the idea of Swiss or other neutral and non-aligned aircraft being used for inspections if this proved indispensible and helped the conference, and if it received the consent of all 35 participating states.

Until now, the inspection issue has been a serious stumbling block at the conference on confidence and security building measures and disarmament in Europe.

"The feeling here is that Mr Grinevsky was fetching instructions, but there have not been any rumours in the corridors about what actually went on," one Western delegate said. The Soviet delegates had neither denied nor confirmed the reports on the talks between the Swiss delegate and Mr Shevardnadze.

Western delegates hope that a statement will be made some time this week, and feel that the likeliest occasion is at Friday's plenary meeting, when major papers are presented.

Reuter adds: Nato remains confident that an agreement on how to avoid an accidental war in Europe can be reached by the time the conference ends on September 19, but the Warsaw Pact has recently been more pessimistic.

Both the Soviet Union and the US, however, appear determined not to let recent strains in other spheres of the superpower relationship affect the work of the conference.

"We have not heard the slightest whisper in Stockholm about (Nicholas) Daniloff," a Soviet diplomat said, referring to the case of the US reporter charged with spying in Moscow.

President Ronald Reagan has warned Moscow that the case would damage US-Soviet relations and White House spokesman Mr Larry Speakes said: "We will raise the Daniloff issue in every appropriate forum in which we meet the Soviets."

But Nato diplomats said Washington had far too much at stake in Stockholm to raise anything that could jeopardise the talks at this crucial stage.

Nato to send observers to Pact exercise

NINE NATO countries are to send observers to Warsaw Pact military manoeuvres in Czechoslovakia in response to a rare Soviet bloc invitation, Nato officials said yesterday, Reuter reports.

The invitation to the West to watch the communist alliance's Druzhba (Friendship) '86 war games today and tomorrow is the first extended to major Nato states since Soviet intervention in Afghanistan in 1979.

Western alliance diplomats see the move as a political gesture by the Soviet camp in the context of the 35-nation European disarmament conference in Stockholm which is edging slowly towards agreement deals on the notification, inspection and observation of military exercises.

Nato (North Atlantic Treaty Organisation) officials said the US, Canada, Britain, Belgium, Denmark, France, West Germany, the Netherlands and Norway had been invited to send observers

Go-ahead given to re-start Finnish N-plant

By Olli Virtanen in Helsinki

FINLAND'S LOVIISA nuclear power plant yesterday got permission to re-start operations after the cause for a radioactive leak a week ago was discovered and repaired.

Quoting a "series of human errors," Finland's Centre for Radiation Protection and Nuclear Safety said that the main reason for the leak of radioactive water was the faulty position of a safety valve.

Some 17 cubic metres of mildly radioactive water, comparable to rainwater in Finland after the Chernobyl accident, escaped onto the floor of the cooling unit.

At the same time as the leak, engineers detected an unrelated fault at another of the plant's Soviet-built, 445 MW pressurised water reactors.

A main feed pump was changed and that reactor is now also in working condition. No casualties were caused by either of the two faults.

Accused in Dutch housing case denies guilt

BY LAURA RAUN IN AMSTERDAM

ONE OF two men alleged to have been involved in a looming housing scandal in the Netherlands denied guilt yesterday to charges of accepting illegal payoffs from the building industry in return for obtaining inflated state subsidies for housing projects.

The dispute concerns allegations that The Hague may have paid hundreds of millions of guilders too much in housing construction subsidies over the past 18 years. No government crisis is threatened at the moment, but the affair could easily escalate

Mr Gerrit Brokx, the Under-Secretary for Housing, failed to deliver more documents on the subsidy programme to parliament yesterday, but has promised to do so by the end of the week. Pressure is mounting on him to clarify exactly how the subsidies were paid.

The man appearing in Maastricht District Court yesterday argued that payments he received from builders and property developers were legal commissions for his role as agent for the ABP civil servants' pension fund, which is a major investor in housing projects.

A court ruling on the charges is expected on September 9. A second man said to have been involved, a former investment manager, is to hear what charges are filed against him on October 28.

Now parliament is looking into the affair with an eye to launching an official parliamentary inquiry

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EUROPEAN NEWS

Denmark plans halt to flood of refugees

BY HILARY BARNES IN COPENHAGEN

THE DANISH Government plans to implement a temporary stop to the influx of refugees, who are coming mainly from the Middle East, if it can obtain support from a majority when the Folketing (parliament) reassembles in October.

"We neither can nor will accept the present uncontrolled flood of refugees," Prime Minister Poul Schlueter said yesterday. He described the situation as "a mass migration" and said the influx was neither in the interest of the Danish people nor of the refugees themselves.

Denmark's immigration law is exceptionally liberal. No one who asks for asylum can be turned back by frontier police but must be admitted to the country until a tribunal has considered the case, which can take almost a year.

So far, 5,600 refugees have asked for asylum this year, 1,000 more than at the same time last year, when the total for the year reached 8,600.

But since August 1, 2,000 refugees have arrived. Mr Schlueter said this represented an annual rate of 25,000 a year. When they were joined by relatives later, the total number could be expected to rise to about 50,000.

This is about the same total as the number of babies born in Denmark each year.

Mr Eric Ninn Hansen, Minister of Justice, said that Denmark has accepted more refugees over the past two years per head of the population than any country in Europe.

Two factors have precipitated the Government's decision. First, West Germany, which is also saddled with a big refugee problem, is now giving refugees transit visas permitting them to move on to Denmark, a step which has been strongly criticised by the Danish authorities.

Second, the Red Cross, which is handling reception and housing of the refugees, can no longer find vacant premises and is having to put the newest arrivals under canvas.

● A West German captain suspected of taking 155 Tamil refugees on a secret voyage to Canada is to submit a written statement to police about his role in the affair, his lawyer said yesterday, Reuter reports.

A spokesman for the public prosecutor's office in Oldenburg, near Hamburg, which is investigating whether it can charge the captain, Wolfgang Bindel, with abandoning the Tamils at sea, said that so far there was "very little legal ground for charges" against the skipper.

Chirac is embarking on a campaign which carries little hope of early victory, **David Housego** writes

Terror puts French Government on war footing

THE RESURGENCE of terrorism in the heart of Paris has unsettled the Government of Mr Jacques Chirac just as it was hoping to reap the rewards of a "cohabitation" that has worked more smoothly than most had expected.

The message that Mr Chirac gave his countrymen before they left on holiday was broadly this: "Relax and forget your worries. Our policies have been put into effect and you will see that they work—notwithstanding the brickbats that President Mitterrand may throw in our direction."

With France back at work, the message remained broadly the same. The Prime Minister's office was last week proclaiming its "complete serenity" in face of the possibility of a further clash with Mr Mitterrand over the controversial Bill redrawing Parliamentary constituency boundaries. Across the river, Mr Edouard Balladur, the Finance Minister, has been quietly preparing a high profile launch of the privatisation programme and the 1987 Budget.

But after Tuesday's bomb explosion in the Paris town hall where Mr Chirac is Mayor emphasing the direct challenge to his Administration, the Government has been put on a war footing. Mr Chirac declared in terms that echo those of US President Reagan, that his Government would "wage war with all necessary means" against the "leprosy" of terrorism.

Most French newspapers rallied to the call this morning as did Opposition leaders. President Mitterrand said it was necessary "to fight terrorism" without mercy. Mr Lionel Jospin, the First Secretary of the Socialist Party, declared that the "nation must close ranks" and Mr Roland Dumas, the former Foreign Minister, warned that France was again the target of international terrorism "and was likely to remain so for some time."

Mr Chirac's problem is that the language of war carries with it hopes of an early victory that he is currently in no position to bring about. He is up against a diverse range of obscure terrorist movements, whose origin and backing are drawn from a wide range of Middle Eastern countries.

At the same time, there is no guarantee that the rhetoric and methods of war — as President Reagan found him taking action against Libya — necessarily achieve the desired results.

The Solidarity Committee with Arab Political Prisoners, which was apparently behind Tuesday's attack—first challenged Mr Chirac on the night of his nomination as Prime Minister by planting a bomb in the Champs Elysee which wounded 28 people. This attack followed a number of others last winter designed to gain the release of three terrorists held in France. The three include Mr Georges Ibrahim Abdallah, the leader of the Lebanese Armed Revolution Faction.

The Government's response was Mr Chirac's pledge in his opening speech to Parliament in April that he would take up the challenge of terrorism by reinforcing both the police and their powers. Mr Charles Pasqua, his Minister for the

Mr Jacques Chirac

Interior, vowed to "intimidate the terrorists."

But the police still do not know who lies behind the Solidarity Committee, except that it has support from Palestinian groups based in Damascus. The group's attack on the Paris town hall was clearly intended to portray Mr Chirac's apparent powerlessness.

Mr Chirac had undermined his own position by letting it be known in July that he might be prepared to negotiate the release of Mr Abdallah. He has since backed away from that—partly in response to pressure from the US, where it is believed that Mr Abdallah was responsible for the killing of an American military attache in Paris.

Mr Chirac embarks on his new campaign torn between a record of conciliation and a policy now of firmness—which lays him open to suspicion from both the terrorist faction and the US with whom he now wishes to co-operate.

An unknown terrorist group in Beirut calling itself the Partisans of Justice and Freedom (PDL) yesterday claimed responsibility for Monday night's bomb attack in the Paris town hall which killed one woman and injured 18 other people, David Housego reports.

But the claim seemed designed to add to the confusion of the police authorities in that the group also claimed responsibility for other recent terrorist attacks in Paris.

Previously responsibility for these had been claimed by the Solidarity Committee with Arab Political Prisoners —an equally mysterious organisation seeking the release from prison in France of three terrorists.

The government's difficulties are similar in Lebanon itself where the Administration waits daily in fear of fresh attacks from Moslem militia groups trying to force the departure of the French contingent of the United Nations peacekeeping force. Le Monde recently published a vivid account of the French troops' discouragement at finding themselves such an exposed target to Moslem extremists.

Mr Jean Francois-Poncet, the former Foreign Minister and a supporter of Mr Chirac, said they were now the victim of a trap and should be withdrawn.

Mr Chirac's dilemma is that he cannot pull them out without being seen to abandon Lebanon, which would smack of humiliation. At the same time he cannot get the UN to reinforce its troops in Lebanon or agree to a total withdrawal of the Unifil peace force.

French policy almost seems to be dependent on new deaths, which would be unacceptable to domestic public opinion in France and thus force a withdrawal.

Mr Chirac is also in a tight corner over the issue of the six French hostages still held in Lebanon whose release was one of the priorities of his foreign policy. One of the main television channels, Antenne 2, nightly shows their pictures to remind French viewers that they are still in prison.

Mr Chirac broke with the tactics of his Socialist predecessors who were negotiating directly with Lebanese Moslem groups, opting instead for improving relations and conducting government to government negotiations with Iran the state it believed held the key. The negotiations have stalled recently over complicated financial issues and the extremist Islamic Jihad are again threatening the lives of the hostages.

France at present feels itself under siege, giving the Government the advantage that criticism of its action suggests treachery. Mr Chirac's opponents are steering well clear of that. But their continuing silence depends on his success.

A taste of the criticism that could emerge surfaced in Mr Dumas's article in Le Matin yesterday which had obviously been written before Tuesday night's attack. The former Socialist Foreign Minister and confidant of Mr Mitterrand blamed blunders by Mr Chirac and his colleagues in recent weeks for again placing France in the eye of the terrorist storm.

"Too much high handedness in its approach to the problems," Mr Dumas wrote, "an excessive simplification of the complexities of the Middle East, the pressing appetite of the Prime Minister to impose himself . . . have all led to an impasse. The Government thought it was making progress. In fact the trap was closing in on it."

The resurgence of terrorism will do no direct damage to the Government's image — in fact in the short term it could enable it more easily to rally people to its cause. But it will also push into the background issues of privatisation, deregulation and improving economic performance on which the Government had planned to focus attention.

A further risk is that a "war on terrorism" will revive old habits of authoritarianism among Mr Chirac and his Gaullist followers." This would chime oddly with the present mood in France of consensus and conciliation. Even former President Giscard d'Estaing has been saying that the distance between himself and moderate Socialists is not so great.

Greece holds current account deficit to $1.3bn

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S CURRENT account deficit in the first seven months of 1986 was contained at $1.326bn (£895m) compared to $2.139bn last year, according to Bank of Greece figures.

The improvement can be traced mainly to higher EEC receipts and lower oil costs and to a less extent to an increase in exports and invisible earnings from tourism.

An Economy Ministry announcement noted, however, that non-oil imports continued to go up between January and July, registering an 11.5 per cent increase relative to the same period in 1985.

This was despite economic austerity measures, including a compulsory import deposit scheme introduced one year ago.

The authorities are committed to keeping the 1986 current account deficit down to $1.7bn, compared to a record $3.3bn last year.

EEC receipts in the first seven months of 1986 went up by 86.4 per cent compared to last year, reaching $859m. Oil import costs fell by 42.3 per cent, to $1.065bn.

Total exports went up by 2.1 per cent to $2.501bn despite a 38.6 per cent drop in earnings from petroleum exports.

US accuses Moscow on biological weapons

THE US yesterday accused the Soviet Union of producing, stockpiling and using biological weapons in violation of a 14-year-old international treaty, AP reports.

The allegations came in a speech by Mr Donald Lowitz, the chief US delegate, on the second day of a conference reviewing the 103-nation Bacteriological (Biological) and Toxins Weapons Accord.

The Soviet representative, Mr Viktor Israelyan, denied the accusations and said they represented a US attempt to undermine the 1972 accord.

"The Soviet Union opposes the attempts aimed at undermining the convention by various accusations," he said.

Soviet research and development involving micro-organisms and toxins are carried out "with peaceful ends only," Mr Israelyan stated.

Mr Lowitz claimed the Soviet Union has "continued to maintain an offensive biological warfare programme and capability, and has been involved in the production and use of toxins for hostile purposes" in Laos, Cambodia and Afghanistan.

Evidence also existed that the Soviet Union had transferred toxin weapons to Vietnam, he added.

President Ronald Reagan made similar allegations in his 1985 report on non-compliance with arms control accords.

The treaty under review bans development, production, stockpiling and possession of toxins and biological agents except for peaceful purposes.

Mr Lowitz urged conference delegates to use the three-week session to agree on measures that could "help provide [illegible] that [illegible] activities are not being used as a cover for prohibited activities."

This concern has been raised by other delegates and observers to the conference, who say modern technology such as gene-splicing has made biological weapons more feasible for military use.

Mr Lowitz said some investigations into alleged violations of the 1972 treaty have been impeded, but he did not elaborate. The US has abided by the treaty, and will continue to do so, he added.

Iceland's GNP 'to rise by 5.2% this year'

ICELAND'S National Economics Institute (NEI) has reported that the North Atlantic island's economy is experiencing a boom of even greater proportions than previously estimated, Reuter reports.

The state-operated institute calculated that Iceland's gross national product would increase 5.2 per cent this year, against its estimate of 3.1 per cent in April.

National income would rise up to 7 per cent in 1986, compared with an April prediction of 5 per cent, it said.

"Most of the credit goes to favourable outside factors, but some to the wage negotiators who secured realistic wage contracts last spring," Prime Minister Steingrimur Hermannsson said yesterday.

But Mr Jon Sigurdsson, NEI director, sounded a note of caution. "A year like this happens only once in a great while. It will be a full-time job to protect this year's gains," he said.

OVERSEAS NEWS

Coretta King bows to pressure and cancels Botha talks

BY ANTHONY ROBINSON IN JOHANNESBURG

MRS CORETTA SCOTT KING, widow of slain US civil rights leader Dr Martin Luther King, yesterday failed to keep an appointment she had requested with President P. W. Botha.

In her letter of apology she expressed "pain" at the local and foreign pressures she has been subjected to since arriving in South Africa for the first time to attend last Sunday's enthronement of Archbishop Desmond Tutu.

In a statement issued later Mr Botha said that Mrs King's frustrated attempt at a meeting was "a sad reflection on those who find themselves in a make-believe world of political fraud and who are unable or unwilling to have their actions exposed to the harsh light of reality."

The frustrated meeting and exchange of notes served to lift the veil on the bitter political infighting which has been taking place behind the pomp and circumstance of Archbishop Tutu's enthronement in which Mrs King and other guests have been drawn into power struggles within the anti-apartheid movement both in South Africa and in the US.

Before her expected meeting with President Botha two prominent anti-apartheid activists, Mrs Winnie Mandela, wife of jailed ANC leader, Mr Nelson Mandela, and the Rev Allan Boesak, a patron of the United Democratic Front (UDF) and president of the 70m strong World Alliance of Reform Churches declared that they would refuse to have anything to do with Mrs King if the meeting went ahead.

Dr Boesak's hard line on any contact with President Botha is in sharp contrast with the line followed by Archbishop Tutu who has held two meetings with the President in recent months.

Dr Boesak, the leader of the coloured branch of the Dutch Reform Church which has its stronghold in the Cape, was not scheduled to address the 6,000-strong crowd of worshippers. But he went to the rostrum in a successful effort to pacify a group of young township radicals who at one stage threatened to disturb the proceedings.

In his short address Dr Boesak told the crowd to loud applause that he had brought back greetings from Mr Oliver Tambo, the ANC leader in exile

Mr Andrew Zondo, a 20-year-old youth who placed a bomb in a crowded supermarket at Amanzimtoti near Durban before Christmas killing five and injuring over 50 people, was among three convicted African National Congress killers who were executed early yesterday morning in Pretoria jail. Appeals by Amnesty International and anti-apartheid organisations that the men be granted clemency and be given prisoners of war status were refused.

Gold price rises 'should ease pressure on rand'

BY OUR JOHANNESBURG CORRESPONDENT

THE HIGHER gold price and repayment of most of South Africa's scheduled debt obligations in the first half of this year should ease the pressure on the rand and permit an addition to reserves over the rest of the year, Dr Gerhard de Kock, governor of the Reserve Bank told a meeting of the South Africa-Britain Trade Association.

Every $50 (£34) increase in the price of gold over a full year adds more than R2.5bn (£700m) to the value of South Africa's gold output, he said. "The recent increase in the gold price, even if sustained, does not mean that South Africa's economic difficulties are over. But it will help in overcoming the harmful effect of existing financial sanctions and should contribute towards preventing the irrational and emotional forces behind the present sanctions and disinvetment campaigns from transforming South Africa into some form of siege economy."

Karachi governor denies airport commandos delay

Gen Jehandad Khan: only six to seven minutes

John Elliott in Karachi interviews Gen Jehandad Khan, the man in charge of dealing with last week's airport hijack

A TOP Pakistani Government official yesterday claimed that it took commandos only six to seven minutes to reach the Pan Am hijacked airliner at Karachi airport last Friday after the hijackers opened fire on the passengers. Earlier the Government had said 10 to 15 minutes were needed.

The new estimate was given by Lt Gen Jehandad Khan, governor of Sind, the province of which Karachi is the capital, as criticism and confusion grows about the events on Friday night in which 19 people died and more than 100 were injured.

Gen Jehandad said that he had been expecting to have to raid the aircraft from fairly early on in the 16-hour hijacking drama, but that Pakistan would not have permitted the involvement of US commandos who, according to US reports, were en route to Pakistan.

Gen Jehandad, who had a distinguished military career before his retirement, was in overall charge at Karachi airport, reporting to Pakistan's President Zia ul-Haq, absent abroad at the Non-aligned conference in Zimbabwe, and Prime Minister Mohammad Khan Junejo. He had prior experience of a hijacking two years ago, when an Indian Airlines aircraft was taken over and diverted to Karachi. The aircraft eventually flew to Dubai, in the Gulf, with its passengers.

Gen Jehandad admitted yesterday in an interview that there had been a "major lapse of airport security" when the hijackers managed to drive onto the airport tarmac. Pan Am has now suspended flights to Karachi because of concern over security. He accepted no other criticism and said he believed the operation after the hijacking "could not have been better handled."

As Governor, he said, it was not his job to know certain details, such as whether or not the lights on the aircraft went out earlier than expected, and whether or not this was caused by an electrical fault or lack of fuel. The hijackers shot passengers after the lights went out.

He also claimed he did not know if reports that international security agencies had warned Karachi several days earlier of possible terrorist attacks, including a possible hijacking were true, nor whether the US had told Pakistan it was sending commandos.

It was "his impression" that the US was not sending a Pan Am crew to be available to fly the aircraft out of Karachi should a deal be struck with the hijackers about prior removal of passengers.

A Pan Am spokesman said in Karachi last night however that a relief management crew of two pilots and an engineer arrived in Karachi on a Swissair flight, along with three senior airline executives, a few hours after the end of the hijack.

It appears that there were tensions at the airport between different agencies, including US diplomatic staff, trying to control the situation. Gen Jehandad said a US hijack expert sent from Islamabad was prevented from going on to the tarmac by a specific instruction closing the area.

He denied reports that commandos were 500 yds from the aircraft when the firing started and that it took 10 to 15 minutes for them to arrive. The first 30 commandos, he said, were 200 yards away and arrived in three minutes. Another 20 were further away and the whole process took six to seven minutes.

He stressed that "discussion of these details means we lose sight of the main thing which is that the hijackers' design, to take away the aircraft or blow it up, was thwarted, and the terrorists' demands had not been met. In this situation I think we have been very lucky to have 15 to 20 casualties," he said.

American seized in Beirut

By Nora Boustany in Beirut

ANOTHER American was taken hostage in Moslem-controlled West Beirut yesterday and an anonymous caller claimed that the pro-Iranian fundamentalist Islamic Jihad group had seized Mr Frank Reed in a seafront area.

Gunmen in a dark blue Volvo accosted Mr Reed, a man in his 50s, and took him away, security officials here said. This was the first abduction of a Westerner in the Moslem-dominated half of the Lebanese capital since Syrian troops helped Lebanese soldiers and police apply a security plan on July 4.

Though the authenticity of such calls remains impossible to verify, the caller told a foreign news agency the group would later send photographs of Mr Reed, the principal of a private elementary and high school—the Lebanese International School.

The statement said Mr Reed was "arrested and found in possession of condemning documents" and charged that he was trying to cover up for his intelligence work through his activities as school director.

● An Egyptian gunman holding the Italian consul and three employees surrendered after a two-hour siege of the Italian consulate in Cairo, officials said, Reuter reports.

Tokyo backs SDI in principle

BY IAN RODGER IN TOKYO

THE Japanese Government has expressed its support for the US strategic defence initiative (SDI) in principle, but will neither encourage companies to participate in SDI research programmes nor discourage them.

After 18 months of exhaustive study, the Government has concluded that SDI is a sound programme that does not conflict with Japan's commitments to peace both in the world and in space.

Mr Masahara Gotoda, Chief Cabinet Secretary, said in a statement yesterday that the Government now proposed to enter into consultations with the US on specific measures to ensure that any participation by Japanese organisations be carried out smoothly.

The main issue in these consultations would be the rights to use the fruits of any SDI-sponsored research. Foreign Ministry officials said the Government had not yet formulated a position on this issue, and did not know what the US position would be in advance of the consultations. However, they assumed, in the light of the US-West Germany SDI agreement, that SDI technology developed in Japan would be available to Japanese companies for civilian uses.

Most of Japan's leading corporations would be in a position to participate in SDI research, particularly electronic and aerospace equipment manufacturers. None the less, most companies, especially those companies in the consumer electronics area, are expected to proceed cautiously into SDI. These companies are particularly anxious not to hurt their image with consumers by accepting military contracts.

Officials pointed out that there has been no restriction on Japanese companies participating in SDI research to date, but many were waiting for government guidance before making a move in such a delicate area. There were no known cases of Japanese companies already discussing SDI projects with the US.

Also, Japanese companies had expressed doubts about diverting their research efforts to SDI projects, fearing that the commercial returns would be only marginal.

The Government says that despite its support for SDI, it will not put pressure on private sector companies or the relevant government supported research and technology agencies to participate.

Quarterly growth rate at 0.9%

BY YOKO SHIBATA IN TOKYO

JAPAN'S gross national product (GNP) grew at a sluggish 0.9 per cent rate in inflation-adjusted in the three months to June, from the previous quarter.

Mr Hironshi Otake, deputy director-general of the Economic Planning Agency said yesterday it would be difficult to achieve the Government's growth target of 4 per cent for the current fiscal year ending next March even given the current package of measures to stimulate the economy.

Mr Otake said the Government's economic forecasts would be revised downward after a supplementary budget for the fiscal 1986 had been completed for submission to an extraordinary Diet (parliament) sitting which will convene on Thursday.

The GNP year-to-year growth in the quarter at 2.2 per cent in real terms was the lowest since the January-March quarter of 1975, when it stood at 1.2 per cent. The GNP year-to-year growth rate for the April-June quarter of last year was 4.8 per cent.

Sri Lanka reprisals reported

By Colina MacDougall

AMNESTY International today publishes a report on the disappearance of several hundred people in Sri Lanka in the past 20 months, where guerrilla action by Tamil separatists has led to apparent reprisals by government forces.

The 89-page report, "Sri Lanka: 'Disappearances'," puts forward detailed accounts by eyewitnesses of the seizure of 272 people, none of whom have been seen since their arrest. Witnesses report that many have been shot or have died under torture and secretly buried or burned.

In one case an estimated 100 Tamil men were taken from their villages in December 1984 by military personnel following a massacre of 65 Sinhalese farmers by Tamil armed groups. These men have not been seen again.

However, one man detained in the same area reported seeing about 100 Tamils led away from an army camp on the day of the seizure. Following about 100 shots and a huge fire, his guard commented that the Tamil army was going up in flames.

Torture reported to Amnesty International included burning, beating and being hung upside down for long periods.

Philippine forces end ceasefire

By Samuel Senoren in Manila

ARMY UNITS were yesterday ordered by Philippine military authorities to resume the offensive against Communist rebels after attempts by the civilian government of President Corazon Aquino and the National Democratic Front (NDF) to work out an early ceasefire fell through.

Mr Juan Ponce Enrile, the Defence Minister, and Gen Fidel Ramos, the chief of the armed forces agreed yesterday to adopt a "no-ceasefire" posture as the NDF appeared cool to an immediate 30-day truce offered by government negotiators.

The Government and the NDF had adopted an informal truce when negotiations for a permanent ceasefire started last month.

Mr Enrile and Gen Ramos, who jointly ousted former President Ferdinand Marcos in a military coup in February, are scheduled to meet today with the newly formed National Security Council headed by Mrs Aquino to assess the insurgency.

But the truce reached last week by Mrs Aquino with the secessionist Moro National Liberation Front in southern Philippines was still holding although other Moslem separatist groups not privy to the negotiations were trying to sabotage it.

AMERICAN NEWS

David Gardner reports on the problems besetting an economy starved of resources

Renewed inflation fears haunt Mexico

A SHARP rise in consumer prices during August, along with record increases in domestic interest rates, has brought fears that Mexico may be on the brink of hyperinflation.

Some officials here believe this can only now be avoided by a rapid agreement between Mexico and its creditors which will inject vitally needed new foreign credit into the economy.

Consumer prices rose 8.1 per cent in August, for an annualised inflation rate of 93 per cent, up from 64 per cent at the beginning of the year. Inflation is expected to reach 100 per cent at an annual rate by the end of this month, once sharp recent increases in the price of fuel, transport and staple foods filter through.

Interest rates rocketed last week, with 28-day Treasury bills (cetes) placing at 102 per cent, the first ever primary cetes issue to offer over 100 per cent. The rate on cetes has risen some 30 points this year, though in the past month they have outstripped inflation, rising over 10 points.

The main single cause of both rises is the lack of money, from either foreign or domestic sources in the economy and the monopoly held over what there is by the Government, to finance its budget deficit. The deficit is likely to reach 15 per cent of GDP, and nearly all of it is needed to finance interest payments, the majority on domestic debt.

The collapse in the price of oil, Mexico's main export, will lose the country around $8bn in export revenue this year and up to $6bn in taxes (this year's interest bill on total foreign borrowings of $98bn is expected to be about $8bn).

The oil revenue loss, added to the fact that Mexico has received no net new foreign credit in the past 21 months, has forced the Government to rely exclusively on domestic capital markets, where it has had to offer competitive margins on top of inflation for peso instruments and on top of currency depreciation for dollar-linked instruments.

The "controlled" rate for the peso against the dollar, used for foreign debt and merchandise trade, has been devalued 8 per cent a month, or 90 per cent so far this year.

Each one point rise in basic domestic interest rates adds pesos 120bn ($170m) to the Government's interest bill, and hence the deficit, increasing the need for new borrowings at ever more inflationary rates.

At the same time, the authorities have had to cut subsidies sharply, leading to big one-off jumps in prices: the cost of a ride on Mexico City's metro, for example, was raised 2,000 per cent last month, from one to 20 pesos.

Some officials and independent economists argue that the Government should be able to lower interest rates, free credit for the cash-starved private sector, control the foreign exchange market, and keep the lid on prices, provided the $12bn new foreign finance package Mexico is seeking arrives "fast."

The first hurdle was cleared seven weeks ago with an 18-month growth oriented agreement with the International Monetary Fund, worth $1.6bn overall, which is expected to be signed this month.

Mexico is currently in negotiations with its commercial bank creditors, who are being asked for $6bn. It also last month secured $1.6bn in bridging finance, to tide it over until the whole new finance package is finalised. It has already drawn $850m of this.

In the meantime, inflationary pressures are growing fast and there are more in the pipeline. Mexico's trade unionists, who have lost half their purchasing power since the financial collapse of 1982, are pressing for an emergency wage increase of around 20 per cent. Two increases of a total of 59 per cent have already been agreed this year.

Industrialists who have been forced by this year's sharp fall in demand to cut producer prices, will be seeking to recover losses once the growth promised by the Government and explicitly written into the IMF deal gets underway.

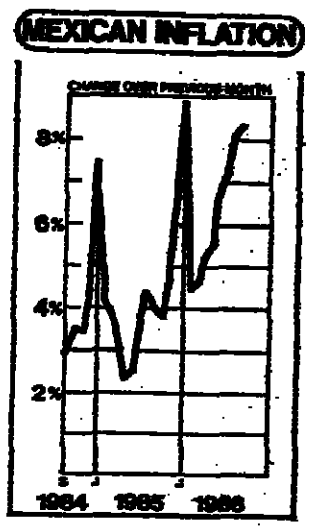
The Government envisages "minimum growth" in 1987 and 1988 of 3 to 4 per cent of GDP—from an expected contraction this year of 5 per cent—while the IMF accord provides for contingent financing of $500m if this target is not reached by the end of the first quarter next year.

It is seen as crucial that the new finance is in place before Government's plan to stimulate the economy comes on stream.

Equally, it is assumed that the Government cannot go back on its growth commitment in the year which sees the start of real jockeying for position to suceed President Miguel de la Madrid in 1988, and when the standing of the ruling Institutional Revolutionary Party (PRI), is at an all-time low after 57 years in power.

There is a precedent for an inflation-reducing turnaround. A 5.3 per cent fall in GDP in 1983 was turned into 3.7 per cent growth in 1984, while inflation was brought down from a high of 117 per cent on an anualised basis in April, 1983 to 59 per cent at the end of 1984.

This was achieved by cutting both imports and the budget deficit by fully two-thirds each year over the two years, during which Mexico got $16.5bn in new foreign finance, and earned over $16bn in each of the years from oil exports. The combination is clearly unrepeatable.



THE INTERNATIONAL Monetary Fund has sent a strong signal to Mexico and its bank creditors that it wants to see a speedy conclusion to their current negotiation on a new rescheduling package, writes Peter Montagnon.

Its Executive Board has given only tentative approval to Mexico's request for an SDR 1.4bn ($1.6bn) standby credit, saying the credit would only be operational once commercial bank financing is agreed. The Board said this is expected by September 29.

Bankers said they took this as a warning from the IMF that they should not get bogged down in negotiations. These have been complicated by a Mexican request for interest margins on some more than $50bn in foreign debt to be eliminated and for the level of cash interest payments to be linked to the oil prices.

The Citibank-led advisory committee of leading creditors is resisting this request. It is due to put counter-proposals to Mexico this week amid fears that the package which will involve some $6bn in *fresh* money loans will prove extremely difficult to sell to smaller creditors.

Brazilians braced to strike over wages

By Ivo Dawnay in Brasilia

THE BRAZILIAN Government is bracing itself for a co-ordinated onslaught of wages strikes which could involve as many as 1.5m workers by the end of the week.

Although many of the pay claims are unrelated, the country's two principal union federations have attempted to link the disputes into a national campaign for salary rises for groups ranging from public sector staff, bank workers and teachers, to taxi drivers and security guards.

The government has made clear that it will use all its powers to resist the union pressure and has attacked the wage claims as a threat to gains achieved in its anti-inflationary economic programme, the Cruzado Plan, launched last February.

These powers are formidable. Under decree law, still in force since the military regime handed over to a civilian Government last year, the authorities are empowered to declare illegal any industrial action that threatens to undermine essential public services.

The list of industries and services that can be included under this blanket heading encompasses almost all sections of the economy, including bank workers whose 26-per-cent pay claim has acted as a catalyst for the strike wave.

Military police are expected to be mobilised to ensure that essential services are maintained, and the authorities have given notice that picketing will be outlawed.

The confrontation comes at a delicate moment for the Government's economic programme as widespread criticism has mounted over illegal price rises being imposed in many sections of the economy and a rash of food and produce shortages.

Any major confrontation would also come as an embarrassment to President Jose Sarney, who yesterday began a five-day state visit to the

'Shining Path' rebels kill Peruvian judge

MAOIST Sendero Luminoso (Shining Path) rebels have shot a rural Peruvian judge who refused their demands to resign, Reuter reports from Lima.

Police said they found the body of Mr Ademir Zevallos, 26, outside Ondores, an Andean town 220 miles from Lima.

Pinned to the body was a Sendero note reading: "All authorities who do not resign immediately will die this way."

Journalist shot dead in Chile after kidnap

BY MARY HELEN SPOONER IN SANTIAGO

THE BODY of a Chilean journalist taken from his home by unidentified civilians on Monday morning was found near the Santiago general cemetery with two bullet wounds in the head, Chilean police announced yesterday.

Mr Jose Carrasco was foreign editor of Analisis magazine, a left-wing periodical banned this week, along with five other independent publications, by Gen Agusto Pinochet's regime. Chilean authorities have acknowledged the detention of several leading opposition figures but denied arresting Mr Carrasco.

In a separate incident the Santiago offices of Reuter the British news agency, were ordered to halt transmissions by Chilean military officials, who have not explained the reason for the measure. In London, Reuter said no explanation had been given nor was it clear whether the ruling applied both to the activities of its correspondents and the distribution of news in Chile.

The murder of Mr Carrasco and the clampdown on the press comes as the Pinochet regime tightens restrictions over civil liberties under the state of siege announced in wake of an assassination attempt against the President on Sunday evening.

Chilean officials have not announced the arrest of any suspects in the attack, the first reported attempt on Gen Pinochet's life in 13 years of military rule.

Army troops and police staged large-scale operations in several poor Santiago neighbourhoods which have been the scene of anti-government disturbances in the past. During these raids officials arrested five priests and a lay religious worker, including two American and two French missionaries.

The regime decided not to cancel a mass pro-government rally scheduled for yesterday afternoon, after some deliberations over possible security threats to Gen Pinochet.

During the past week the Chilean news media has been saturated with advertisements urging the public to join in the rally, calling it "The first day of Chile's future."

Critics of the regime consider the rally a thinly-disguised starting point for a campaign to prolong the Chilean leader's presidency beyond 1989, the year his term in office expires.

Nevertheless, Gen Pinochet has been deliberately coy in his recent public statements concerning his intentions, denying that he has announced his candidacy while insisting that Chileans will have to choose between "order or chaos."

Mr Jaime del Valle, told a group of foreign diplomats on Monday that the state of siege would not affect the country's eventual transition to democracy.

Agencies add: A former Chilean diplomat yesterday dismissed as absurd an accusation by Chilean authorities that his son was the main suspect in the attack on Gen Pinochet.

Mr Aldo Bunster, former ambassador to Britain, interviewed in Mexico by Radio France International, denied his son Mr Cesar Bunster Aristea, was involved in the attempt. Mr Bunster, ambassador during the Allende Government overthrown by Gen Pinochet in 1973, said the accusation was "an attempt to cast a shadow on Chilean emigres and indirectly to get at the Mexican Government."

In Madrid, police arrested 21 demonstrators who occupied the Chilean consulate to protest the state of siege. Similar demonstrations took place at Chilean consulates in Barcelona, Valencia and San Sebastian. Spanish radio quoted Mr Patricio Manns, an exiled Chilean singer, as claiming the Manuel Rodriguez Patriotic Front carried out the assassination attempt.

PUBLIC AWARENESS FOCUSED ELSEWHERE

Worries mount over US economy

BY STEWART FLEMING, US EDITOR IN WASHINGTON

A GULF seems at least temporarily to have opened up between what most American voters consider to be their country's biggest problem and the issues which are causing Washington's politicians to look over their shoulders anxiously as November's mid-term elections approach.

A CBS News/New York Times poll last week revealed that with startling rapidity the issue of drug abuse has risen to the top of America's list as the nation's most important problem. In an April survey only 2 per cent of respondents picked the drug problem as the biggest worry.

On two counts the poll's findings may be gratifying to President Ronald Reagan and his Republican allies. The poll suggests that even registered Democrats suspect that their party is likely to be softer on drugs than the rival Republicans. More important – and some are suggesting that this helps to explain why Mr Reagan has decided to give so much personal attention to the drug problem – the public for the moment does not seem to be focusing much attention on the ominous trends in the economy.

That Washington is worried about the economy will quickly become clear over the next few days as Congress gets down to work after a brief summer vacation and starts to debate again the budget outlook and how and whether to tackle the soaring trade deficit.

A hint of just how queasy White House officials are about the economic outlook came from Mr Hugh Sidey, Time's respected White House correspondent, who maintains that "there is a feeling in Washington that we are gathering at the side of the track to watch a gigantic economic train wreck one of these days."

On the surface the outlook does not look that bad. The latest survey of economists' projections from Blue Chip Economic Indicators suggests that most private economists expect real growth in the second half of the year to run at an annual rate of 2.6 per cent following a 0.6 per cent rise in the second quarter and that the current expansion will continue into a fifth year with a 3 per cent rise in 1987.

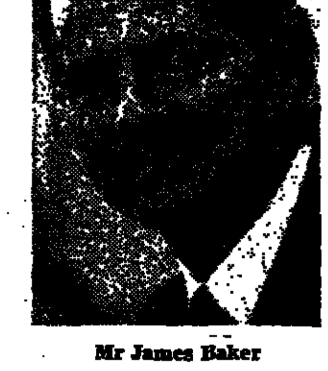
Consumer price inflation in the first seven months of 1986 hit a 37 year low and unemployment is stuck at around 7 per cent nationally.

But lurking behind these global aggregates are developments which politicians facing re-election in November have every reason to worry about. State governors, at their mid-year convention last month, concluded that 31 of the 50 states are already in recession.

The farm belt has not suffered so badly since the Great Depression of the 1930s and conditions in many states are not improving. The economy in the South is wilting under the triple blow of the farm recession, the energy industry slump and a real estate bust. The Texas legislature has been agonising over whether it should raise taxes in the midst of a regional recession in order to balance the state budget.

In the Midwest most of American industry is labouring under the burden of import competition in spite of some calculations showing a 30 per cent decline in the value of the dollar on the foreign exchanges since early 1985. The Congressional joint economic committee in a recent report concluded that it was only the economies of the Atlantic and Pacific coasts which were prospering.

The fact that the US economy is not perking up has surprised most economists. At the beginning of the year it was widely assumed, and Mr Paul Volcker, the Federal Reserve chairman, said as much, that lower interest rates and lower oil prices would give the economy a kick start.



Mr James Baker

According to Goldman Sachs economists, the US has indeed benefited from these developments. Consumer spending and housing starts have been quite strong. But with capacity utilisation in industry close to recession levels, capital investment is headed rapidly downwards.

Crucially, surging imports have once again prevented the increase in domestic demand from boosting the domestic economy, despite successive interest rate cuts this year.

The US visible trade deficit now seems to be headed from the 1985 level of $150bn to at least $170bn even if one assumes that the $18bn trade deficit recorded in July was indeed an aberration. The surge in the deficit has, moreover, added to concerns that the third quarter, too, may be rather less buoyant than most economists are assuming.

The fact that the dollar has declined sharply, but without bringing about any improvement in the trade deficit, is worrying.

More worrying is the thought that without further falls in the dollar or significantly faster growth abroad there may not be much improvement in the trade deficit next year either. An end to the deterioration would be a welcome relief, however, which could make the 3 per cent growth figure achievable.

Most economists maintain that the outlook is for more of the same – sluggish growth and a risk that the economy could slip into recession. But most believe that a recession can and probably will be avoided.

The preconditions for a recession – rising inflation, tight labour markets and high capacity utilisation and tightening Fed monetary policy – are absent, it is argued. On the contrary the Fed with its last discount rate cut, has clearly signalled its determination to move quickly to resist recessionary pressures.

But confidence is not high, for there are too many imponderables.

How much scope does the Fed have to boost the economy now that the financial markets are beginning to worry again about inflation? Is the trade deficit about to start improving, something which would significantly improve the economic outlook, or would a further pickup in demand now just suck in more imports from abroad? How big a drag on the economy will the tax reform bill be assuming, as most do, that it will be signed into law?

Perhaps the Treasury Secretary, Mr James Baker is right when he says there will be no recession, but it promises to be a close call.

he Intel microprocessor which is set to have a profound impact on the computer industry and its customers

Compaq set to be first past post

FOR personal computer manufacturers, the 386 represents "a major step up in performance capability, without sacrificing compatibility," says Mike Swavely, marketing vice president of Compaq Computer, the leading US manufacturer of IBM-compatible personal computers.

Compaq is expected to be one of the first major personal computer vendors to introduce a 386-based system. Although the company will not say exactly when it will launch the new computer, industry reports suggest that it may come as early as next month. This would give Compaq an easy lead over IBM, which is not expected to introduce a 386-based computer until next year.

The 386 is ideally suited to the personal computer market because it can run the wealth of software applications designed for the IBM PC, but IBM's ... tardiness ... 386 ...

THE FINANCIAL TIMES, 14.8.1986.

THANKS FOR PLUGGING THE LEAK.

Oh well, people were bound to talk. The 386 microchip is big news.

It has the potential to address an awesome 4,000,000,000 bytes of working memory.

It can also run your present industry-standard software two to three times faster than today's fastest desktops.

So we weren't surprised when the Financial Times came sleuthing round to see if we really were building a 386 based machine.

We hemmed, we hawed, we beat about the bush, but they wouldn't take 'no comment' for an answer. As you can see, they drew their own conclusions.

Now, while we would dispute that a tortoise is an apt symbol for a company that made the fastest ever entry into the Fortune 500, we can no longer deny the rumours.

You see, last night we launched the most advanced personal computer ever made, the COMPAQ Deskpro 386™. COMPAQ DESKPRO 386™

We'll never cease to amaze you.

US makes services issue an article of faith

Christian Tyler looks at the issue of services in the talks to launch the new Gatt round—a question which has sharply divided some of the contracting parties

GATT Services

IN THE eyes of the US, a world trading system that does not include rules for opening markets to service transactions is a system not worth having.

The US has made the liberalisation of trade in services through the General Agreement on Tariffs and Trade almost an article of faith. Officials warned again at a meeting of the trade superpowers last weekend that the US Administration will not stand aside and watch the new Gatt negotiating round due to be launched next week without that commitment on the agenda.

It is a serious, if familiar, threat that hangs over the world's trade ministers, as they come up to the starting line in Punta del Este, Uruguay. For the question of services, along with that of agricultural subsidies, is more than just an excuse for American rhetoric.

The US has collared the support of the European Community (with Britain showing the most genuine enthusiasm) and can count on the Japanese and on free traders like Singapore in Asia. Over the past four years it has also bullied or cajoyel other developing countries into talking about services in the margin of the Gatt.

But it has failed to persuade an important minority, which includes India, Brazil, Argentina and Nigeria to take the final step of recognising Gatt's jurisdiction in this "new" area that accounts for an estimated quarter of the $2,000bn a year of world trade.

Afraid of what it will do to their balance of payments and to their own infant service companies, the less developed countries in general regard the US demand as a diversion from the real business of the meeting.

For them—and especially for the big debtors—the Gatt round is mainly about reopening the rich markets of the West to their manufactured goods and restoring world prices of the agricultural commodities on which so many of them depend.

Services trade is one of four new issues that the US has put on the table: the others are intellectual property rights, foreign investment, and trade in high technology goods. It is a provocative agenda that seeks to bring important areas of sovereign legislation under the scrutiny and control of an international body.

Patents, trade marks, copyright and counterfeiting are included for self-evident reasons. Foreign investment is there because of what Mr Clayton Yeutter, the US Trade Representative, called earlier this year "the dampening and distorting impact on world trade" that government policies on foreign direct investment can have. Those distortions, he said, were comparable to the effects of tariff barriers and such non-tariff barriers as quotas and export subsidies.

What Mr Yeutter had in mind are the kind of stipulations made by developed and developing countries alike that some proportion of a foreign company's manufacture in the host country must be bought or made locally, or that some minimum amount must be exported.

Inward investment incentives—a free site and building or a long tax holiday—introduce another source of "unfair" competition. Investment regimes can also discriminate against the foreign service company, whether a bank, insurance company or software house, which needs to be able to set up a branch close to its customers and to be able to remit its dividends freely.

High technology has been included because, as Mr Yeutter said, it is "an increasingly vital component of American production," and because it is a particularly popular target for generous domestic subsidy among new competitors emerging to challenge American dominance.

The three texts to be considered at Punta del Este show how far from being resolved the question of the "new issues" is. The main draft declaration for ministers has square brackets around each of the headings.

Its authors, Colombia and Switzerland, consulted widely in Geneva in order to produce a draft with majority support. But they were unable to find acceptable language for the new topics. That task will fall to their political leaders next week.

On high technology, the draft merely says that negotiations "shall aim to reduce or eliminate tariff and non-tariff barriers." The foreign investment paragraph talks about examining the adequacy of Gatt rules and elaborating "as appropriate" further disciplines.

The text on services tries to mollify the opposition by saying that negotiations to create a framework of principles and rules should increase transparency and liberalise trade but should do that with regard to the growth and development concerns of developing countries.

It recognises the "general objectives" of national laws and the work of other organisations. This latter reference acknowledges the fact that most of the lesser-developed countries (LDCs) regard the UN Commission on Trade and Development (Unctad) as the proper place for discussing services.

Finally, the draft leaves the door open on implementation by saying that the 92 contracting parties of the Gatt will decide whether or not to write the new framework into the Gatt system.

The opposition's draft, prepared by Brazil and supported by nine others, makes its point by leaving out all reference to new issues. But Argentina, which is one of the group of ten hard liners, has put up a lengthy amendment referring to services but not to the other new topics.

This amendment invites ministers to make a quite separate decision that puts services firmly on a separate track. They would either be a subject of more "exchanges of information," or be put into a new Gatt group, or be put into a Gatt group that could not claim sole jurisdiction. Only if new rules for services were thought appropriate by the Gatt members, once the group had finished its work, would steps be taken to bring them into the system.

Such hair-splitting devices are not uncommon in the Gatt, indeed, the more nit-picking the language, often the greater the progress.

The developing countries may agree to talks about new rules rather than negotiations about them.

But the border line between "talks" and "negotiations" is a fine one — and noboby, including the US, wants to be part of a humiliating public failure at Punta del Este because of one small form of words.


Clayton Yeutter

Japanese warn over 'bashing' from Europe

BY IAN RODGER IN TOKYO

JAPAN FEARS that the Punte del Este meeting will inject a "Japan bashing" clause into the ministerial declaration of a new round of trade talks.

Japanese Foreign Ministry officials say the country might walk out of the trade talks if such a clause were adopted. They recognise that withdrawal by Japan would leave a significant gap.

They say a Japan bashing clause has been proposed by the European Community. It would not mention Japan specifically but would say that there should be a "balance of benefits" to members of Gatt, and would be used to punish Japan for resisting imports while benefiting handsomely from the freedom to export provided by Gatt.

Foreign Ministry officials say anything that singles out Japan would backfire because it would increase Japanese resistance to structural reforms under way to make its economy less dependent on exports.

Apart from this potential problem, Japan supports fully the most popular draft ministerial declaration presented by Colombia and Switzerland. It is committed to a multilateral trading system and believes the Gatt system has become dangerously enfeebled by a plethora of voluntary restraint agreements, bilateral arrangements and protectionist measures.

Officials singled out the proposed free trade arrangement between Canada and the US and the limitatron by France of Japanese cars to 3 per cent of the market as examples of trends.

Japan welcomes the draft declaration's aim to broaden Gatt's coverage to services, intellectual property and agriculture.

Foreign Ministry officials acknowledge that Japan's agricultural sector has some highly subsidised and protected elements and that they would suffer from new multilateral rules.

Tokyo hopes that the issue of South Africa's presence in the next round will not be disruptive, and counts on the Uruguayan chairman of the Punte del Este conference to influence the South Africans and the other delegations to prevent this.

Japan also believes that the Soviet Union's request for entry is premature because its system is incompatible with Gatt rules, but it believes that in the longer term, Soviet membership should be accepted.

UK insists on inclusion of hidden farm subsidies

A BRITISH Government official told the European Parliament yesterday that Europeans "must insist" that all forms of hidden farm subsidies be included in the trade negotiations, AP reports from Strasbourg.

Mr John Gummer, junior Minister of Agriculture, was speaking for the British chairmanship of the EEC's governing Council of Ministers during debate on a resolution calling for the abolition of food export subsidies. The resolution will be voted on later this week.

"In Gatt, we must apply the same rigorous standards to other countries' trade practices as they do to ours," Mr Gummer told the parliament.

He said the US, which criticises European farm-support programmes as uneconomic and disruptive, could not claim to be innocent of subsidising its farmers.

He acknowledged that the EEC's generous farm support programme contributed to a disruption of world food trade, but said "it is a perfectly reasonable, rational system."

Mr Gummer said he was worried that this year's poor grain harvest in Europe may serve as "an excuse" for doing nothing to control the rising growth of food surpluses.

Soviet move linked to membership attempt

THE SOVIET UNION decision to allow state companies to conduct foreign business on their own under new economic policies was linked to a bid to enter the Gatt by a Soviet trade official yesterday, AP reports from Geneva.

The role of state trading organisations will be reduced to allow Soviet enterprises to "freely enter into markets," said Mr Mikhail Pankin, head of the department of international economic organisations at the Soviet Foreign Trade Ministry.

He rejected western reservations about Soviet membership in Gatt, saying that the Soviet mechanism of external economic management as a whole does not contradict the Gatt principles, rules and practices."

Mr Clayton Yeutter, the US Trade Representative, reiterated last week that Washington was unlikely to agree to Soviet entry unless Moscow moved towards a market-oriented economy.

Mr Pankin noted that last month the Soviet Union applied to participate in the next round of international trade talks under Gatt to "gain the experience required" for membership in the organisation.

Moscow is interested in discussing areas such as civilian aircraft, fisheries, forestry and non-ferrous metals, Mr Pankin said.

The Soviets have approached Gatt because "its activities increasingly influence the international trading environment," Mr Pankin told a news conference. "This process affects concrete economic and commercial interests of all countries, including those of the Soviet Union."

Four Soviet Bloc countries — Poland, Czechoslovakia, Hungary and Romania — are Gatt members, but the Soviet Union is considered a more difficult case because of the size of its economy.

Mr Pankin, in Geneva to attend a United Nations conference, said East Germany and the Soviet Union were the "only two major trading nations" outside Gatt.

Soviet efforts for "a fundamental restructuring of the external economic management system" stem from decisions taken at the last Communist Party congress and are at "their very, very beginning," he said.

Before the recent initiative, the Soviets had sought since 1982 to build support among Gatt members for being granted observer status.

Mr Pankin said a majority of members supported Soviet participation in Gatt affairs but acknowledged that the organisation traditionally makes decisions by consensus.

Delors voices fears of greater tension

BY DAVID LENNON

EUROPE'S growing impatience with Japan's failure to open up its markets to foreign products was underlined by Mr Jacques Delors, president of the EEC Commission, in a message to an EEC-Japan industrial co-operation symposium in Brussels yesterday.

"I cannot hide my fears of a risk of greater tension between Japan and the Community if nothing were to change," he said, referring to "the absence of concrete results" despite promises by Tokyo.

Mr Delors welcomed the personal commitment of Mr Yasuhiro Nakasone, the Japanese Prime Minister, to carry through the recommendations for structural adjustment which were contained in the Maekawa Report published in April.

This report underlined the necessity of bringing Japan's economy into harmony with its main trading partners, notably by opening up Japan's market to foreign goods by developing domestic demand and re-orienting consumption patterns.

Mr Karl-Heinz Narjes, the Commission's vice-president, declared in a statement that what had not changed over the past few months was the EEC's bilateral trade deficit with Japan. "Indeed, the deficit has grown substantially since the beginning of 1986," he said.

This disequilibrium requires structural measures if it is to be altered, he noted. Industrial co-operation could provide the key to the much-needed acceleration of the process, he said.

"Industrial co-operation is a two-way street and Japan must accept that it has to play the same game, with the same rules, in its own market as in other markets," he declared. "Many in Europe still remain to be convinced of Japan's willingness to do so."


Jacques Delors: President of the EEC Commission

Lisbon blames trade war for drop in exports

PORTUGUESE Prime Minister Anibal Cavaco Silva said before meeting President Ronald Reagan yesterday that his country was the victim of a trade war between the US and the European Community, Reuter reports from Washington.

He told a news conference before a courtesy call to the White House that Portuguese exports to the US had dropped since Lisbon joined the Community in January.

"It's not fair," he said. "We do hope for a positive approach from the United States."

He called Portugal a voice of moderation on trade issues, but said it had been caught in the middle of a row over tariffs on US grain exports imposed when Portugal and Spain joined the Community.

Cavaco Silva also said he opposed aid for rebels fighting the governments of former Portuguese colonies Angola and Mozambique, and urged dialogue instead.

The Reagan administration has stepped up aid to the rebel National Union for the Total Liberation of Angola (UNITA).

"We would like Angola and Mozambique to be just domestic problems and not part of the regional conflicts between the superpowers," he said.

Cavaco Silva said he did not believe trade sanctions against South Africa would end apartheid.

The Portuguese leader was also due to meet Secretary of State George Shultz yesterday before leaving for New York.

Venezuela looks to new fuel to boost crude sales

VENEZUELA'S national oil company hopes that tests to be carried out at a Canadian power station will provide it with a new market for its low-priced heavy crudes.

Petroleos de Venezuela will begin commercial tests of an emulsion of heavy crude and water as an alternative fuel at the New Brunswick Electric Power Company in Canada.

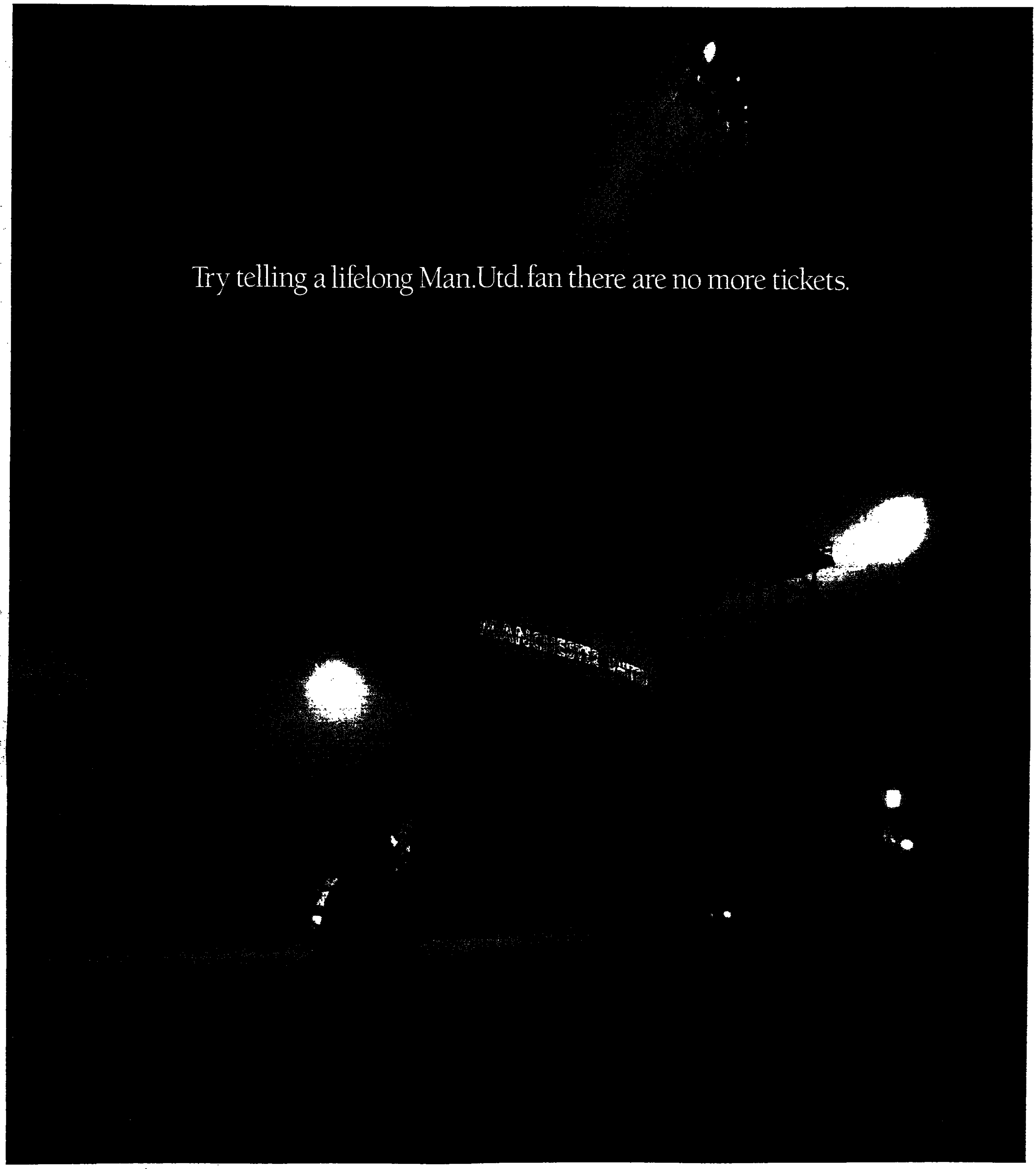
If the tests are successful, Venezuela hopes that it will be able to sell its low-priced heavy crudes as a "liquid coal" which could compete with coal as a fuel on international markets. The use of low-grade, unprocessed Venezuelan crude oil in generating plants could represent important savings in fuel costs.

In the tests, to be carried out at the Dalhousie generating plant, a mixture of unrefined oil and water will be used to fire a 100 MW generator. The type of crude being used is designated as "Cerro Negro" from Venezuela's Orinogo heavy oil belt. A vast reserve of heavy and extra-heavy petroleum, but the mixture to be used reportedly would be 27 per cent water and 63 per cent crude.

The Orinogo heavy oil belt, with reserves estimated at more than 1.2 trillion barrels of extra-heavy crude, is one of the world's largest hydrocarbon deposits.

The crude oil being used comes from experimental production blocks in the Cerro Negro zone north of the Orinoco river.

The Canadian tests, financed by Petroleos de Venezuela, are expected to provide information about the costs involved in using the crude directly as a fuel.



Or even worse, try telling his son.

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As part of the policy of implementation we call "getting our hands dirty," we supervised the specifications for and selection of tenders from the different computer firms.

But we also suggested that the club should look to the full range of potential uses for its system – the bars, the restaurants, the pools and lotteries and all of the management information needs. (Regretfully we still know of no computer that can play midfield.) The new system at Man.United is capable of all these functions – solely through the addition of software.

This kind of computer strategy work comprises up to 50% of our consultancy time at Price Waterhouse – for businesses which vary in turnover between the value of a few apprentices and five hundred Bryan Robsons.

To those who think Price Waterhouse consultants are just resprayed accountants, this may come as a surprise.

To Man. United, on the other hand, we are computer experts who help make sure their club is run as efficiently as possible. Tickety boo, you might say.

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Company Notices

GOLD FIELDS GROUP
GOLD FIELDS OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
DECLARATION OF FINAL DIVIDEND (No. 77)
UNITED KINGDOM CURRENCY EQUIVALENT

In accordance with the Standard Conditions relating to the payment of dividend No. 77 declared on 19 August 1986, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R3.524014 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 8 September 1986, as advised by the Company's South African bankers.

The United Kingdom currency equivalent of Final Dividend (No. 77) of 105 cents per share is therefore 29.795568p per share.

By order of the board
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G. M. A. Gledhill, Secretary

London Office:
31 Charles II Street
St James's Square
London SW1Y 4AG
8 September 1986

United Kingdom Registrar:
Hill Samuel Registrars Limited
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Qui se tiendra le Vendredi 19 Septembre 1986 à 14 heures dans les Bureaux de la Banque Nationale de Paris (Luxembourg) SA, 24 Boulevard Royal, Luxembourg.

Ordre Du Jour

1. Suppression dans les conditions de l'emprunt le paragraphe 8) 2 de la section dénommée amortissement et rachat, libellé comme suit:
"Le représentant fiduciaire pourra seul ou, à la requête effectuée par écrit d'un cinquième au moins des porteurs d'obligations non amorties devra, par notification écrite à la SNEA, rendre exigible la totalité des obligations non amorties, que la SNEA s'engage alors à rembourser dans les trente (30) jours de ladite notification au pair majoré, le cas échéant, des interests courus jusqu'à la date de remboursement, si la République Française cesse de détenir, directement ou indirectement, plus de 50 per cent du capital de la SNEA."
2. Divers

Le représentant fiducaire des obligataires
Banque Nationale de Paris (Luxembourg) SA

pour assister à l'assemblée générale messieurs les obligataires sont priés de déposer les obligations auprès de la Banque Nationale de Paris (Luxembourg) S.A., 24 Boulevard Royal, Luxembourg, 55 jours ouvrables avant la date de l'assemblée générale.

Announcements

AVIATION & GENERAL INSURANCE COMPANY LIMITED

announce that MR. C. H. (RAY) JEFFS will retire as general manager and chief underwriter on 30 June, 1987, having by then attained the age of 65. However, the directors are pleased to know that Mr Jeffs' knowledge and expertise will remain available to the company as a continuing member of the Board.

AVIATION & GENERAL further announce that by mutual agreement with the Mercantile and General Reinsurance Company plc, MR. PETER CRAWFORD, F.C.I.I., will be appointed deputy general manager and deputy chief underwriter of the company with effect from 1 April 1987 and will succeed Mr. Jeffs when he retires.

Personal

Appointments on Wednesday?

From Today, September 10, the General Appointments section will appear on Wednesdays.

Accountancy Appointments will continue to appear every Thursday as usual.

The reorganisation of the Appointments Pages will enable the Financial Times to offer a substantially improved service to recruitment advertisers and their audience.

Copy deadlines for the Appointments pages are 3 p.m. on the Friday of the week preceding publication for Wednesday and remain unchanged for publication on Thursday.

For more information contact—

Louise Hunter on 01-248 8000, extension 3588
Jane Liversidge on 01-248 8000, extension 4177
or Daniel Berry on 01-248 8000, extension 3456

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
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UK NEWS

Ian Hamilton Fazey reports on a worldwide payphone winner

Plessey rings up a success

WITHIN two years of taking over from GEC as the supplier of Britain's payphones, Plessey has found itself with an international winner on its hands.

The "intelligent" payphones it has developed, unlike their predecessors everywhere in the world, make money: they are now being installed by 25 telephone companies in 18 countries.

In some Gulf states – where it was previously impossible to dial an international call from a public telephone-box – the payphones have been paying back on an investment of up to £800 each in only eight to 10 days as foreign workers have queued to telephone home.

For Plessey, sales have doubled to £80m in the last 12 months and there is no sign of growth abating. Trials are being conducted in yet more countries and a solar-powered cellular version is expected to expand the market dramatically in Third World countries.

At present, there are about 6.3m payphones in the world, with the US and Japan accounting for about 2m each. Most, however, are for local calls only and nearly all are based on old technology. All the sophisticated electronic gear is in the telephone exchange.

Payphones have usually been more trouble than they are worth – prone to theft, vandalism and general abuse. Since many are out of commission for much of the time, no telephone company has been making money out of them and usually they have been maintained as a social service only.

Plessey's payphones have changed that, with their anti-vandal design coupled with highly advanced technology to improve the service.

The robust construction has made it possible to risk putting sophisticated circuitry into the payphones, so international direct dialling is a standard feature, as is a self-monitoring system that signals for maintenance if anything goes wrong.

It is long-distance calling that has made a dramatic impact in many countries. In Mexico, for example, there are 70m people but only 3m private telephones. Public telephones, imported from the US, are for local calls only.

For trial purposes, Plessey installed two of its new payphones outside the main post office in Mexico City. There were queues throughout 24 hours a day for both. Mexico is now one of the countries that will be replacing its old ITT phones with Plessey models in a planned programme.

In the US, where extensive trials have been under way and $9m worth have already been sold, Plessey is discussing replacement of existing installations with several of the 29 local operating companies into which Bell was broken up four years ago. It operates through Stromberg Carlson, its US subsidiary, and this is the name that appears on telephones there.

In the Far East, Macao has been quick to install some of the phones and Mr Peter Brown, managing director of Plessey Telecommunications Products, the subsidiary involved, is waiting now for confirmation of an order from Hong Kong.

Mr Brown says: "The payphones market has been dormant all over the world for many years. Most of those in the US are based on a model designed by Bell in 1952. We have something which is proving a winner. Sales have been accelerating continuously since we decided to go international 18 months ago."

The design is already familiar throughout Britain, as British Telecom replaces the 76,500 outmoded GEC phones with Plessey models.

Although it may still seem that too many of even the new ones keep flashing up the message "999 emergency calls only" when the handset is lifted, the telephones are not usually out of order because of breakdown. Their failure demonstrates success.

The telephone monitors its own cashbox and when it is 70 per cent full it signals British Telecom's maintenance department that it needs emptying. If this is not acted on before the cashbox fills, the telephone cuts off further coin operations until the money collector comes.

The key to the new design was to separate the cashbox from the telephone.

The cashbox is steel, with a removable steel safe within it. It takes 22 minutes to break into it using axes and sledgehammers wielded by strong men. During this time, the telephone signals back to the exchange that it is under attack. In Manchester, thieves have already been caught red-handed

Mr Brown expects the credit-card versions of the phones to catch on too, along with debit card phones, where a pre-paid card is purchased.

He sees only two main competitors for the worldwide market – the Japanese companies Tamura and Unritsu. But these two are busy with their large domestic market. For Plessey, with a small British home market, attacking world markets has been essential to achieve economies of scale.

Plessey telephones are being installed by British Telecom in a three-year programme to modernise all its 76,500 public payphones by the end of 1987. The telephone kiosks are also being replaced over the next four to five years – a total investment of £160m.

BT is installing two types of Plessey blue payphones and one Phonecard telephone, which does not accept cash but a prepaid debit card. Although these phones will not accept calls via the operator, except to the emergency services, and the cards have to be bought in advance, BT says the response has been "absolutely tremendous." It plans to have 10,000 Phonecard kiosks.

BT also has on trial at Heathrow airport and Waterloo railway station in London 36 payphones which accept credit cards, but it says it has yet to assess demand and decide whether to extend the service.

At the same time, the familiar red kiosks are making way for half a dozen less distinguished styles which BT says are less prone to vandalism, easier to clean and offer better access for disabled people.

The red kiosks, designed by Gilbert Scott in 1936, are as much a symbol of Britain as a policeman's helmet or Big Ben but are known prosaically to BT as K6s. Already, conservationists are clamouring for their retention and, in a few places, they will be allowed to remain.

BT claims that 80 per cent of its payphones are working at any one time and hopes that the more vandal-proof blue payphones and the Phonecard kiosks, as they do not have cashboxes, will improve on this.

But it admits that it has problems with "organised gangs of thieves who become more devious" as the anti-theft technology improves. It cut losses on the payphones from £42m in 1984-85 to £20m last year and says its purpose is to be "profitable as soon as possible."

BBC leaves expansion of radio services to rivals

BY RAYMOND SNODDY

THE BBC yesterday declared an end to the future expansion of its radio services.

Mr Brian Wenham, the recently appointed managing director of BBC Radio, said yesterday he expected most new radio services in future to be non-BBC and either community or commercially led.

Mr Wenham told the Radio Academy conference in Glasgow that the BBC welcomed new outlets for radio in the UK, even though the corporation's share of total audience would inevitably fall.

He said: "The likelihood of BBC radio services expanding is extremely small." The chances of sensible consolidation were, however, good.

The BBC executive also warned that popular music and sport would have to be carried on Radios 3 and 4 if Radios 1 and 2 were sold off, as recommended by the Peacock Committee, a Government appointed inquiry into the funding of the BBC.

Mr Wenham said he had no intention of endangering the strengths of Radio 3 and 4, but if the BBC was forced to do less radio there would have to be "adjustments."

It would be illogical for the BBC to take money from all the public and deliver programmes to a minority as a deliberate policy.

"The Peacock "soft sell" of Radios 1 and 2 would be a fraud on the public.

"The promise that the dropped-off bits would re-emerge as something as well established as Radios 1 and 2 cannot be delivered" Mr Wenham said.

TV rental chain to diversify in market switch

BY DAVID THOMAS

ONE OF BRITAIN'S top television rental chains is to start offering products such as microwave ovens and washing machines for hire in a move which in part reflects falling outright purchase prices for the televisions and video recorders which form the mainstay of the rental business.

Radio Rentals, owned by Thorn-EMI, will offer the new products – they also include dishwashers, car telephones, hi-fi systems, sunbeds and mobile disco systems – initially on a pilot basis in a chain of so-called "Superstores."

At the same time, it will announce today that it is introducing more flexible terms so that, from next month, equipment can be rented for periods ranging from a day to three years. Until now, the company has generally offered one-year contracts.

Thorn EMI's retail and rental business was the company's most profitable division last year accounting for £97.6m of Thorn-EMI's overall pre-tax profits of £104.7m for the 12 months to March 31. However, traditional rental markets such as television have been under pressure as more people have chosen to buy because of falling prices and improved quality.

Most of Radio Rentals turnover has come from televisions and videos, though it has also rented compact disc players and video cameras. Some of the new products, it claims, have never before been available for renting.

Flexible terms will be available for these, so that customers could, for instance, hire a sunbed for the weekend or a mobile disco for a party.

The company says the new terms will appeal to people who want equipment for a limited period, such as on holiday or over the weekend, as well as to people who are unsure what equipment they want.

Mr Jim Maxim, chairman of Thorn-EMI's home electronics group, which includes Radio Rentals, said that the company's new strategy reflected its belief that the decline of the rental market was now over.

He argued that the pace of technological change was so rapid in consumer electronics that many customers, particularly among the young, did not want to commit themselves to buying a piece of equipment.

Thatcher to make limited reshuffle

By Peter Riddell

MRS Margaret Thatcher, the Prime Minister, will this morning reshuffle the middle and lower ranks of the Government, having apparently decided against any changes at Cabinet level.

All the people involved will be contacted today following consultations Mrs Thatcher held yesterday with Lord Whitelaw, the Leader of the House of Lords, Mr John Wakeham, the Chief Whip (parliamentary party manager), and Mr Norman Tebbit, the Conservative Party chairman.

After the series of Cabinet changes in the past year, notably the two resignations during the Westland Helicopters affair, the Prime Minister has decided that she does not want to change her team further and hopes broadly to maintain it in the run-up to the general election, which must be held before mid-1988.

However, Mrs Thatcher wants to bring in some new blood from the parliamentary backbenches and will seek the resignations of some medium-level ministers who have been in office for some time and who are not candidates for further promotion.

The main changes are expected to be in the Departments of Environment and Health and Social Security, with a reorganisation also expected among the Government ministers in the House of Lords following the resignations on personal grounds of Lord Elton and Lord Swinton.

At least one senior politician is expected to be appointed to back up Mr Tebbit at Conservative Central Office and to strengthen party organisation ahead of the election.

Otherwise the main interest will be in which backbenchers are promoted from the large Tory intake at the 1983 election. Among the likely candidates are Mr Richard Ryder, Mr Peter Lilley, Mr Christopher Chope, Mr Charles Wardle and Mrs Edwina Currie.

Kenneth Gooding on the latest shake-out in lorry manufacturing

GM ends era of Bedford trucks

THE ENORMITY of General Motors' decision to give up making Bedford medium and heavy trucks in Britain can best be illustrated by some history.

Since the first two-tonner left the Bedford factory – then at Luton, in south-east England – in April, 1931, more than 2m Bedford trucks have been sold, the highest volume of any British make.

About 60 per cent of them were exported, underlying Bedford's historical strength as a truck supplier to markets overseas.

So what went wrong? According to many observers, Bedford's parent, GM, the richest and largest automotive group in the world, is managed by people for whom cars come first and trucks – particularly heavy trucks – a very poor second.

By the end of the 1970s Bedford was saddled with rapidly-ageing truck products while GM attempted to work out a grand design to develop a "world truck," one with common components which could be produced on a large scale to fit vehicles assembled in major markets all over the globe.

GM simply was not fast enough to push through this cumbersome project, as demand in Bedford's major markets collapsed.

Between 1979 and 1981 annual heavy truck sales in the UK (those over 3.5 tonnes gross weight) plummeted from 60,000 to 45,000. Recession gripped Western European truck markets, causing excess capacity and savage price-cutting.

Although Bedford's position in continental European truck markets was relatively weak, it could not escape the price war which was most severe in the UK.

At the same time Bedford's traditional export markets ran out of foreign currency to pay for truck imports. For example, UAC, the former United Africa Company which is a Unilever subsidiary, has the capacity to assemble about 7,000 Bedford trucks a year from kits in Nigeria. But in recent years has taken only a few hundred.

Bedford's truck sales fell from over 37,000 in 1980 to 14,500 last year.

The company was profitable until 1980 but in the past three years has sustained losses totalling £157m and losses continue to run at more than £1m a week.

GM is not saying how much of the loss arises from the van operations which are not being phased out, but the van plant at Luton will contribute 700 of the latest 1,450 job cuts within Bedford.

GM look action to curb the losses and last year completed a rationalisation programme to reduce the capacity at the Dunstable truck plant from 50,000 to 30,000 a year.

Meanwhile, GM toured Europe looking for a suitable partner for Bedford, one which would provide an instant injection of new products. Even then GM still intended to stay in the heavy truck business and was looking for companies to buy.

It came very close to getting MAN, the second-largest heavy truck producer in West Germany, which had run into financial difficulties because of the collapse in Middle East demand.

But Daimler-Benz, The Mercedes group, which did not relish having GM on its doorstep with a 20 per cent heavy truck market share in Germany, headed off the deal by providing MAN with DM 375m (£121m) of cash to aid its recovery.

BM was at the same time starting negotiations with the UK Government to buy Leyland Trucks (suffering at badly as Bedford from the slump in demand in the UK and export markets) and Land Rover so that they could be merged with Bedford and subsequently reorganised into one, viable British business.

When the UK Government, under tremendous public pressure, removed Land Rover from the deal and caused GM to withdraw in March this year, it was the last straw for the US group.

GM made one last, desperate, throw and approached Renault, but the state-owned French group asked too much for its heavily loss-making truck operations.

GM decided to quit the heavy truck business in the US, too, and is to hand over those operations to Volvo's American subsidiary. Its decision to give up truck making in the UK was also influenced by Ford's decision to ease its way out of the business by handing over its truck production to a jointly owned company managed by Iveco, the Fiat-owned heavy commercial vehicle group.

The UK Government must now reap the consequences of taking short-term, politically-expedient action to keep Land Rover British.

Bedford sold about 6,000 Of its medium and heavy trucks in the UK last year and importers undoubtedly will fill most of the gap it leaves in the market. Daimler-Benz has already overtaken Bedford and moved into third place in the UK heavy truck market and its Mercedes vehicles stand to benefit substantially from Bedford's departure.

Britain's balance of trade in commercial vehicles went into the red for the first time in 1983. By last year the adverse balance had soarted to £327m. BM's decision yesterday ensures that the figures will figure will saar again in the second half of the 1980's.

Council workers threaten tough line

A BALLOT on industrial action by almost 500,000 local government members of the white-collar union Nalgo has produced a surprisingly high 45 per cent vote for action over a 6 per cent pay offer.

The result, declared yesterday, has taken aback local authority employers. Although the pay rise is likely to be paid after talks today, Nalgo intends to use the momentum created by the vote to begin immediately a campaign for a big increase next year.

What concerns the employers is that the council white-collar staff, traditionally unwilling to take national action, may be growing steadily in militancy in the same way as teachers did in the build-up to their year-long pay dispute.

□ SOUTH WALES miners' leaders will press for a national ban on overtime coal production when the executive of the National Union of Mineworkers meet on Friday.

The move for a national overtime ban came as miners assessed Sir Robert Haslam's decision to award a pay increase to most NUM members without fully back-dating it to last November. NUM officials throughout the coalfields reported mounting anger at Sir Robert's announcement.

□ DISASTERS like Bhopal in India may be less likely in future because of a world data bank launched yesterday.

The new service lists several thousand incidents involving chemicals over the past 25 years. Users can ask the computer for details of particular incidents to find out what caused them and whether there are any lessons to be learned.

The Major Hazard Incident Data Service has been set up by the Health and Safety Executive (HSE) and the Safety and Reliability Directorate (SRD) of the UK Atomic Energy Authority.

□ TRADE UNIONS have trebled their commitment to Unity Trust, the trade union and co-operative financial institution following a two-for-one rights issue which raised £4.35m.

Grand Met changes pension structure

BY ERIC SHORT

GRAND Metropolitan, the brewing, leisure and hotels group, has moved in advance of new legislation on pensions by announcing that from next April membership of the group's pension scheme will no longer be compulsory for new employees.

The change in pension scheme membership rules came along with the group's report that it has a large surplus on its £700m pension fund, in excess of £100m. This would put it among the largest surpluses so far reported by a UK company. More than half of the surplus is to be used to improve benefits to pensioners.

The change in the rules on compulsory membership of the scheme comes ahead of implementation of the 1986 Social Security Act, under which, from April 1988, employees will have the right to opt out of their company pension schemes providing they make their own arrangements through a personal pension.

This provision has been criticised by the unions and many within the pensions industry who see it undermining the viability of company schemes and endangering their existence.

Grand Metropolitan has gone further than the requirements of the act. An employee will neither need to join the scheme, nor be under any obligation to take out a personal pension. The employee will automatically remain in the state earnings-related pension scheme (Serps).

As a result of the surplus in its pension fund, Grand Metropolitan plans to halve its approximately £20m annual pension contributions over the next five years.

Biggest launch since QE2 raises hopes

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE QUEEN MOTHER yesterday launched the MV Norsea, a 31,000 tonne cruise ferry for P and O which is the largest passenger ship to be constructed at a British shipyard since the building of the QE2 in the mid-1960s.

The launch on schedule of the Norsea at Govan Shipbuilders, a subsidiary of British Shipbuilders, has raised hopes that the Glasgow yard will now win further passenger ship orders.

Until Govan Shipbuilders won the £40m contract to build the Norsea last year, British shipyards had consistently lost orders for passenger ships to foreign yards.

Govan Shipbuilders is negotiating for several major passenger ship orders, and Mr Eric Mackie, the managing director, said yesterday that he was "very hopeful of acquiring new orders in the near future."

But as things stand, Govan Shipbuilders will be without work when fitting out of the Norsea is completed next spring.

The winning of the contract to build the Norsea, which will operate on North Sea Ferries' Hull–Rotterdam route, followed a major restructuring and modernisation of the Govan yard to enable it to construct ships of much greater complexity than in the past. Govan Shipbuilders previously built bulk cargo ships.

Mr Mackie said that Govan had won the order for the Norsea in the face of competition from Europe and from the Far East. A sister ship to the Norsea, the Norsun, is being built by a shipyard in Japan.

The Norsea is a roll-on roll-off ship with a standard of accommodation which allows her to be classed as a cruise-ferry. She will be able to carry 1,250 passengers, plus 180 freight trailers or 850 cars, or any mix of the two.

In view of the bad reputation of British football fans whom the Norsea is likely to carry after she enters service next spring, the vessel is to be equipped with two cells for the incarceration of hooligans.

Shorts still hoping for USAF order

By Michael Donne

SHORT Brothers, the Belfast-based aircraft manufacturer, is still hoping that the US Air Force will eventually take up all or part of its outstanding option on 48 Sherpa freighter aircraft, to supplement the 18 aircraft already delivered and in service. The options are exercisable any time up to 1988.

Reports earlier this week that the US Air Force had decided not to exercise its outstanding option on the aircraft appear to have been misunderstood. All that the USAF is saying is that it has no need of further aircraft of this type at present, but that this does not preclude it exercising its option at some future date.

The order for 18 Sherpas, won after fierce international competition, was worth about £130m. It was supplemented by an option for another 48 aircraft, to be taken up by the USAF as and when it might require the aircraft.

Civil Service pay to be curbed, says Lawson

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE Government would set an example to the private sector by curbing wage rises for its own employees in the coming pay round, Mr Nigel Lawson, the Chancellor of the Exchequer said yesterday.

His warning suggests a squeeze in particular on the expectations of 500,000 white-collar civil servants, many of whom have this year received supplementary pay allowances in addition to a general 6 per cent increase.

Mr Lawson said a reduction in the average rise in unit labour costs was crucial to economic prospects. It would determine not only how fast unemployment could be cut, but also how soon and how substantially both tax and interest rates would come down.

While declining to put a figure to the level of pay rises he would like to see in coming months, Mr Lawson said it should fall "just as dramatically" as inflation had fallen to 2.5 per cent.

He stressed that the responsibility for this lay primarily not with the unions, but with the employers.

Buy-out survey says euphoria may push prices too high

William Dawkins reports on the most extensive study yet of management buy-outs

THE LATEST survey on management buy-outs is the result of the most extensive study yet of this fast-growing phenomenon. It also sounds a note of caution that market euphoria might be driving prices too high.

According to Mr John Coyne and Dr Mike Wright, directors at the Centre for Management Buy-Out Research at the University of Nottingham, the value of management takeovers completed in the UK last year topped a record £1.2bn, as against a mere £50m in 1981.

They estimate that 140 deals worth £710m have been achieved in the first half of 1986 and that if prices ease, the end of year total could be 1½–2 times greater than the 1985 tally.

The preliminary results of their survey, the first fruits of a three-year research project backed by accountants Spicer and Pegler with Barclays Development Capital, highlight the dramatic growth in the size buy-outs and the extent to which the City of London has galvanised itself into providing finance for management takeovers.

On Monday the Economist Intelligence Unit reported that a record 135 financial institutions are now keen to back management buy-outs.

Spicer and Pegler predicts that £3bn of funding will be available for buy-outs next year, as more institutional investors scramble to get a stake in a type of deal which has so far produced 50 – mostly very profitable – stock market flotations.

The survey records 33 deals last year at purchase prices of more than £5m and more than 100 financial institutions keen to provide finance for buy-outs. Only 4.5 per cent of buy-outs mounted in the previous five years were of that size and the average purchase price has risen over the same period from £500,000 to £4m.

However, "the vast majority of deals remain firmly based on medium-sized firms," say the authors.

The sheer number of deals has also grown steeply, says the study, which estimates that 245 management teams bid their way to independence last year, more than twice the total in 1979. "Management teams are already becoming more aggressive in search of independence," it says.

More important, the study points out that an increasing number of sales to management teams have been made as considered choices by the vendors rather than forced disposals. Last year, 80 per cent of deals arose from planned corporate restructuring, while buy-outs have grown to account for more than a third of all acquisitions, up from just short of 3 per cent in 1977.

But the authors also warn: "High level stock market indices and the merger boom generally have put pressure on the ability to obtain a fair price from the vendor. The markets need to steady themselves for sensible business to be done. "If the vendor expects too high a premium on the business it may mean that a buy-out is not supportable."

Another factor in pushing up prices has been the explosion in the availability of specialist buy-out funds, with three vehicles alone now offering £500m between them.

"This raises the question whether the availability of funds might fuel vendors' price expectations rather than permit funding of a larger number of buy-outs," argues the report.

Divestments have been the most common source of buy-outs and could get more prominent as the general boom in takeovers and mergers produces new corporate groupings which need to get rid of freshly acquired activities

It estimates that divestments now account for two-thirds of all buy-outs, up from just over half at the turn of the decade.

The survey highlights a number of background factors giving impetus to the buy-out boom. These include receiverships and reappraisals of business structures provoked by economic recession, the emergence of managers as willing buyers to secure their own jobs, the general encouragement of entrepreneurship, legislation to make more buy-out routes available and the parallel growth of the venture capital market.

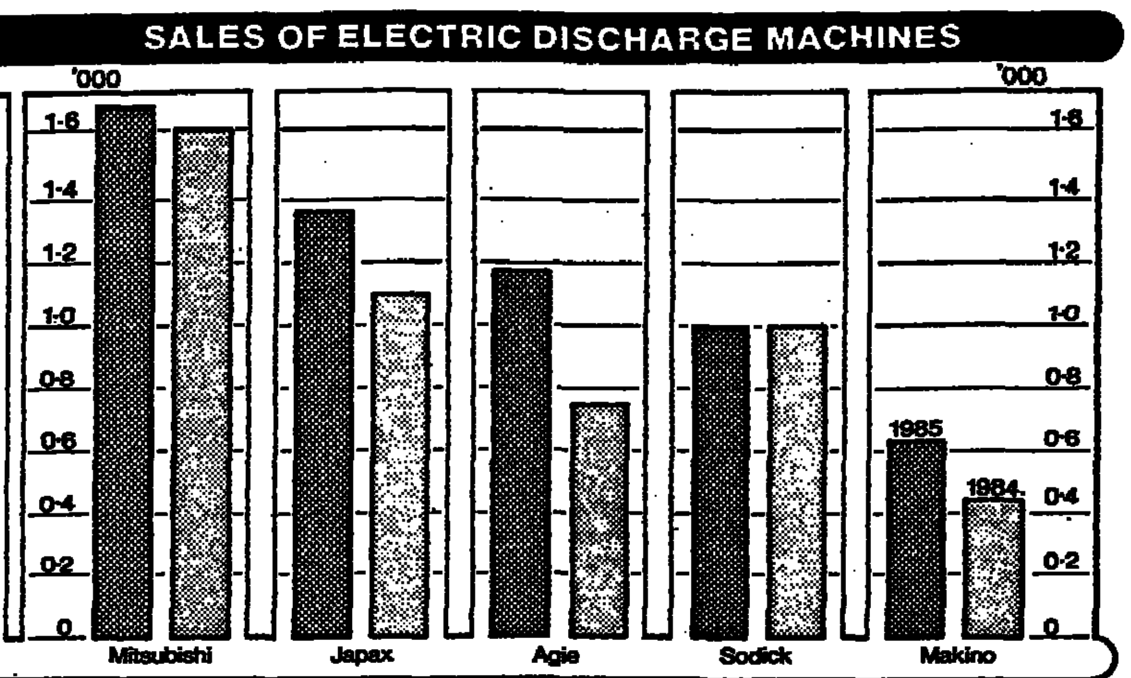
Final study to be published in conjunction with Venture Economics, the US-owned research consultancy, at the end of this month. Copies £1,095 plus VAT or £945 for orders received before September 15 from Venture Economics, 14 Barley Mow Passage, London W4 4PH.

TECHNOLOGY

How Agie honed its competitive edge

William Dullforce, in Geneva, looks at the Swiss toolmaker's successful technology policy.

Ferdinand Hermann, Chairman Agie



TO MOST companies, especially one up against the cutting edge of Japanese competition, destruction of its main manufacturing plant would represent a major industrial disaster. Not so, for Agie, the Swiss machine toolmaker.

Since a flood wrecked its Losone factory in 1978, the company has re-equipped the plant and taken a healthy technological lead over its rivals. This has enabled it to expand sales faster than any of its competitors and to sell its machines at the top end of the market where profits are highest.

By any conventional wisdom, Agie is an improbability. Its home in Losone, near Ascona, is in the *dolce farniente* tourist beat at the head of Lago Maggiore, where the common pursuit is relaxation rather than industrial activity.

It makes electric discharge machines (EDM) which allow specially hardened metals or plastics to be shaped with great accuracy. They are a speciality for which Japan provides half the world market and in which Japanese companies such as Mitsubishi and Fanuc are the major producers.

Yet Agie is the technological leader in its field, holds close to 15 per cent of the world market and manages to sell its machines in Japan at prices which are some 30 per cent higher than those it charges in the US.

The world market for EDM or spark erosion technology is now growing at between 10 and 15 per cent annually, with Switzerland as the main contender to Japan. Agie's closest rival in the West is Charmilles, a subsidiary of the Swiss Georg Fischer group.

Agie's history falls into two parts, before and after the 1978 flood, which also set off a fire and wrecked the Losone factory in less than an hour.

All Agie's production apparatus was ruined, *it could not keep* its delivery commitments and the Japanese stepped in. But Agie, a family owned concern which had stashed away substantial reserves out of earnings, was financially sound.

With the insurance payout it was able to instal new equipment within a year and set off on a period of rapid sales expansion.

The flood also marked a turning point in management approach. Agie became more aggressive in grabbing markets abroad and in spending to acquire and hold its technological lead. The period after the flood coincides roughly with the reign as managing director of Mr Ferdinand Hermann, an engineer of forceful character who had built his reputation as a marketing man.

"We developed a philosophy of solving customers' problems not just selling them machines," Mr Hermann explains. Agie concentrated on defining customers' real needs and on setting up its own branches abroad instead of using agents to service them.

The policy was expensive but by combining the closer approach to the customer with technical performance Agie was able to charge higher prices for the quality of its machines and its service.

Essentially it left the cheaper end of the market to its competitors. This, however, has kept Agie under constant pressure to maintain the technological lead.

Last year the company spent about 8 per cent of turnover on research and development, but when the costs of out-of-house research are included, Mr Hermann calculates that the ratio exceeds 10 per cent of sales.

In electric discharge machining, a swift succession of current pulses generates discharges or sparks between a tool (electrode) and a workpiece that is being shaped.

Each discharge melts and removes a tiny part of the workpiece.

The technique was first used in the Soviet Union during the Second World War to machine materials needed for rockets.

British and US engineers later developed the degree of control needed for high precision work and spark erosion became well known in the aerospace industry, for example, in fashioning the blades of gas turbine engines.

But it was left first to the Swiss and then to the Japanese to discover and exploit the wider possibilities of the technique for making dies and moulds for machine-tool production. Agie, founded in 1954, benefited greatly from the long Swiss tradition in tool-making and from close co-operation with Swiss toolmakers to achieve gradually higher standards of accuracy and surface finish.

Above all, Agie was able to add the degree of automation to its machines which made a relatively slow process fully competitive with other machining techniques.

It was the first to introduce numerically controlled EDM to the machining of tools and in its latest units it has harnessed computer power and developed the software programmes for automatic and adaptable machining of the hardest materials, including ceramics, to a wide variety of shapes and sizes.

Before the 1978 flood Agie, as with other EDM manufacturers, had been making mostly machines for sinking dies, in which the tool or electrode reproduces its reverse image on the workpiece.

Although they had been developed earlier, the period after 1978 saw the introduction on a much larger scale of EDM *wire-cutting machines*. In these the electrode is a thin wire that can be used far more flexibly and delicately to drill tiny holes or cut complicated shapes which can vary from one side of a workpiece to the other.

When fitted with microelectronic control of the spark and sophisticated computer-controlled programming that allows for automatic, round-the-clock working, the wire-cutting machines widen enormously the gamut of tool-making jobs that can be effected by EDM.

They have moved EDM into areas where the drilling and grinding of tools were still being done basically by hand.

EDM technology now provides the tools for making leadframes for microchips in the electronics industry and dies for making bumpers, spoilers and a variety of other plastic parts in the car industry. Workpieces machined by EDM make components for virtually all types of industry from watchmaking to nuclear power stations.

Numerically the traditional customer—the small, specialised toolmaker operating two to five machines — still predominates and even General Motors buys only in small batches. But the automobile industry's increasing demand for plastic-shaping tools has been an important growth-stimulating element for EDM in recent years.

Bosch buys a lot of Agie equipment which it uses for calibrating its fuel injection systems for car engines. The electronics industry also takes a considerable number of EDM machines.

Agie's strength has been its technological lead in EDM wire-cutting. The introduction at the end of 1984 of its new generation of wire-cutting systems was a prime factor in boosting its overall sales from 743 machines in 1984 to 1,182 last year and in raising its net turnover from SFr 173m to SFr 247m (£99m, $145m). Consolidated turnover was SFr 299m.

The number of Agie wire cutting machines sold last year accounted for roughly a quarter of the world market. Agie delivered altogether between 200 and 300 EDM machines to the US, some 200 to West Germany and around 80 to Japan. The biggest sales growth came in Britain and France but these are still small, undeveloped markets for EDM technology. More than 95 per cent of Agie's output is exported.

The ferocity of the competition between the Swiss and the Japanese EDM manufacturers is reflected in the lawsuits for patent infringement which Agie has filed against Mitsubishi in the US, West Germany, Britain, France and Japan.

In May Agie obtained a court injunction preventing Mitsubishi's European distributors from displaying its wire-cutting machines at the international machine tool exhibition in Basle.

Mr Hermann, now executive chairman, sees 1986 as a year of consolidation with more moderate volume growth before the launch at the end of the year of Agie's next generation of die-sinking machines.

Financially Agie is capable of investing strongly in keeping its technological edge and in strengthening its already customer-orientated marketing approach.

Its success is forcing Agie towards crucial decisions which will have to be taken in the next couple of years. They concern the diversification on which it has already embarked and most importantly the question of whether and where to invest in production plants abroad. Agie cannot expect to manufacture in Losone the volume needed to maintain market share and to remain competitive on distant markets.

The choice would seem to be between manufacturing in Japan, the lion's den where the local competition is fiercest but appreciation of the value of EDM is greatest, and setting up in the US, which is only a developing country as far as EDM is concerned but offers immense potential for effective promotion.

If Agie's output is to keep pace with the 10-15 per cent annual expansion rate expected of the world EDM market over the next few years, it will need to produce close on 2,500 machines a year in the early 1990s, of which between 400 and 500 would have to be sold in Japan.

The threshold at which it becomes more economical to manufacture in Japan than to export there must be considerably lower, perhaps around 300 machines a year. Given the previously chartered problems of foreign companies trying to go it alone in Japan, the most obvious solution for Agie would be to seek a joint venture with a local manufacturer.

In the US the threshold at which importing needs to shift to local production is certainly higher and Agie already has an established marketing network. *The market potential is less* clearly defined than in Japan but could be very large. At present there *is no serious* local competitor (Elox assembles and distributes Japanese EDM machines).

Despite its financial strength Agie would be hard pressed to cope with a simultaneous establishment of production facilities in Japan and the US. The choice and the timing are therefore crucial and Agie's management with a new managing director, Mr Horst Schneider, will have to spend much time exploring and evaluating the possibilities and risks.

Mr Hermann also argues that the future growth of the company *calls for cautious diversification* into new areas of business. Agie had its fingers burnt in an earlier attempt to diversify in the 1970s when it tried its hand unsuccessfully to manufacture emergency power plants for hospitals.

This t-me, Mr Hermann says, it intends to stick to areas that complement its core EDM business and where it already has technical experience. Preliminary moves have been to acquire a small West German producer of numerical controls and a laser manufacturer in the canton of Zurich.

US keys in for low-cost chip design

By Geoffrey Charlish

CHIP DESIGN screen and keyboard workstations aimed directly at engineers who need to design application-specific integrated circuits (ASICs) have been put on the market at under £20,000 by Lattice Logic the Santa Clara, California computer-aided design company.

The workstation, it is claimed, allows engineers at the systems design level to work in silicon without previous experience. The software involved, called Chipsmith, works in much the same way as financial *spreadsheet personal computer software*, providing "what if" design and fabrication options. Lattice Logic is in Scotland on 031 225 3434 and Santa Clara on (408) 748 9797.

MULTI-PURPOSE terminals are created from the IBM personal computer (PC) or a compatible model by plugging in a circuit board from Thorn Ericsson Telecommunications, *Horsham*, UK.

The PC becomes an integrated workstation for voice and data, for use with the Thorn Ericsson MD 110 voice/date PABX (company telephone exchange). Users continue to use their PCs as before, but in addition can communicate data to other users either in or out of the the building. The board sets the appropriate data rates automatically.

EMULEX has entered the optical disk drive market with the first of a series of laser optical subsystems for the DEC range of computers.

The Emulex disk drives, at a price of £10,700, are available on VAX, MicroVAX and LSI/PDP machines. More information on 0344 484234.

Fig. 1. The Welsh Development Agency

Fig. 2. The Scottish Development Agency

Fig. 3. English Estates The Developing Agency

To be successful, every plot has to be carefully tended.

At English Estates, we've matured into the largest developers and managers of industrial and commercial property in England.

Hardly surprising when you consider that we've had fifty years experience in the field.

In that time, we've planted over 38 million sq.ft. of property in our plot, at more than 500 locations throughout the country.

Funded principally by the Government, we operate in the assisted and rural development areas where private property developers do not wish to be involved.

At present, 113,000 people are working in our properties in these areas. In fact last year alone, over 1,600 businesses moved in with us.

We feel this is a sure sign of our success.

We offer a wider range of properties than anyone else in England. And we can custom build premises; each individually designed to meet specific needs.

But our service doesn't end when the building does. We ensure that our estates are carefully tended to maintain an environment in which businesses can bloom.

And because we have 16 offices up and down the country, we are always on hand to offer help and advice.

ENGLISH ESTATES
The Developing Agency

For example we can put companies in touch with the relevant national and local assisting agencies. And advise them where they can go for details of grants and other forms of financial aid they may be entitled to.

In certain areas, we can even provide a specialist business adviser to get to the root of any problems that may crop up.

As you have probably realised by now, we do everything we can to help the businesses in our care to flourish and grow.

And that's what has made us an important part of England's business success.

So while the other two agencies have been working in their parts of Britain, we've been carefully tending a fairly large plot of our own.

English Estates, St. George's House, Kingsway, Team Valley, Gateshead, Tyne & Wear NE11 0NA.

MANAGEMENT

Industry Year

How a 'shadow' saw the light

Hazel Duffy on a scheme to excite the minds of Britain's youth

SEVERAL hundred 17-year-olds have taken part in a scheme this summer which could do more to change Britain's "anti-industrial culture" than all the worthy academic reports gathering dust on the shelves of government offices.

They have each spent a working week watching management at first hand, sitting in on top-level meetings with other managers, and with customers, travelling to plants, meeting delegations from overseas. For many, the work shadow scheme has given them a unique insight into a world about which they had only the haziest idea, at a time in their lives when they could be influenced to view industry as a career.

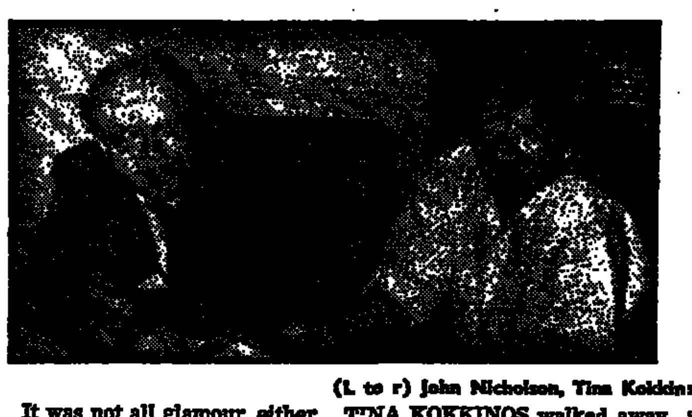
The idea sprang from a pilot scheme last year when a few girls "shadowed" successful businesswomen, giving them a glimpse of the sort of career to which they could aspire. It gathered force with the advent of Industry Year, the impetus coming from the Department of Trade and Industry and the Institute of Directors which together have co-ordinated the scheme between local authorities and volunteer managers.

The scheme was not confined to industry, many youngsters shadowing senior people in other sectors—the Royal Navy, the media, public corporations like the electricity boards, health authorities, etc. The only criterion was that it had to be a senior executive / manager.

Several common factors came out of the interviews which follow, chosen deliberately from industry. The shadows, two boys, two girls three from State schools, one from an independent school), were intelligent, enthusiastic, enquiring. They were all studying A-levels, with the intention of going on to university or some sort of further education. But none had a definite career in mind, although one had been attracted to the law.

They each had an image of industry as being "something not quite nice," a view which they thought had been fostered by television's portrayal of recession, redundancies, and strikes, and the lack of knowledge among their teachers about industry (although two had had teachers who had done a short secondment with industry).

Of the companies that took part, there was a common acknowledgement that industry must play its part in communicating with schools, either as company policy or the efforts of a particular manager. After the experience of being "shadowed," all four managers—having admitted to certain misgivings at the outset—said they would take part again.



(L to r) John Nicholson, Tina Kokkinos, Richard Field and Laurence Winston

LAURENCE WINSTON'S friends in the Lower Sixth have very definite views about industry. "We don't want to go into industry. There's no prosperity there. Everybody is going out of business." In Sheffield, where Laurence attends the King Edward VII comprehensive school, perhaps it is an understandable view for 17-year-olds. Their secondary school years have coincided with the rapid retrenchment of the traditional industrial base of Sheffield.

But Laurence was prepared to find out for himself, and jumped at the opportunity to shadow Richard Field, chairman of Dyson Refractories. Field had come in to Dyson in the classic "company doctor" role, turning round a group of companies which had sunk into the doldrums along with its main customer, the steel industry. He is also a firm believer that the medium sized companies which have survived the recession must take over from the big companies which have cut back in Sheffield the mantle of putting across the industry message.

Sheffield, under the enthusiastic direction of people like Field, has taken up the opportunities offered by Industry Year in a big way. Around 60 sixth-formers have taken part in the scheme, each of whom was interviewed and placed by Daniel Bates, a firm of recruitment consultants which gave its services voluntarily.

Placements, even when only for one week, need care. "Everybody wanted to shadow the glamour jobs, like the manager of the Crucible Theatre," says Alyn Pearce, associate director. But Laurence found the refractories business exciting. "I thought it was going to be routine, but it wasn't at all."

It was not all glamour, either. There was the 5.00 am start to the day that took in one of Field's regular visits to the Birmingham plant, and there was more consumption of buns on motorways than business lunches.

The pace and variety attracted Laurence, and the fact that everybody he met in the group genuinely seemed to enjoy their jobs. It mattered little that the end product, for a 17-year-old, was so unexciting. What did matter was that he picked up the concept of competition and the fact that the company only sells if customers want to buy its products.

Laurence thought he wanted to be a solicitor, after studying careers literature and talking to anybody he could find who practised law. His week at the top has not dissuaded him from law, but he is much more likely to contemplate industry should he not like law, or to be a lawyer in a company rather than in the high street. And to anybody in his school year who wants to listen, he will tell them that there is still some life in Sheffield industry.

TINA KOKKINOS walked away from Marconi Communications' plant in Chelmsford wondering whether she should reconsider her plan to read mathematics at university and take engineering instead. She had spent her week shadowing John Nicholson, the general manager—a placement which had been arranged by an uncle who works there, and not by her school.

Almost all her lower sixth colleagues at South Hampstead High, an independent London school, had shadowed managers, but some had to be arranged privately because the school had run out of people to be shadowed.

Tina is studying maths and sciences at A-level. Her only career thoughts post-university were "something in research." A few weeks after her Marconi experience, her passion for the pure sciences and maths seemed to be winning out over engineering. But she was quite specific about what she saw as the value of the experience: "It has made me more ambitious. I can see now what I can aim for."

Nicholson, too, had learned something. "Having Tina alongside me made me stop and think every now and again, and ask myself: is this really what I am trying to achieve? I looked a bit more at my methods of organising—nobody is perfect in this area."

He tried to explain complex topics to Tina before going into meetings, breaking them down into more simple elements, which he enjoyed. "In an odd way, it was reassuring. Presenting things in that way made me realise the extent of the background and experience necessary to do this job, which one has just assimilated without thinking about it."

He arranged that there would be no meetings discussing defence equipment during Tina's week—she was excluded from only one meeting, about a company in trouble and owing money to Marconi. The issue of confidentiality—which had crossed Nicholson's mind—did not turn out to be a problem; other managers in the company were quite happy to have Tina there.

Trade union representatives at the monthly meeting with management were also relaxed about her presence. The event surprised Tina, seeing union members discussing and co-operating with management towards joint aims. She had thought industrial relations were more in the mould of the miners' strike.

Her respect for Nicholson increased as she tussled with the diversity of subjects with which he had to be familiar. "At school, you can concentrate on a few subjects at most. But here, something was always happening, and I could not see how he could concentrate on any one thing."

Marconi has a defined policy of linking with education, even sending young engineers to talk to primary school children; and Nicholson has recently become a governor at the local comprehensive. He thinks industry has to push in this direction, and not always wait to be asked by schools.

And if he did not make an instant convert of Tina to electronics engineering, he certainly gave her a lot to think about and take back to her colleagues.

Managing change

When the cap no longer fits

William Dawkins on unconventional solutions to corporate upheavals

IF ONLY one in three of the world's top industrial companies will still be leaders in their sectors 10 years hence, what will set them apart from the unfortunates due to fall by the wayside?

The answer, according to Julien Phillips, a principal in McKinsey Consultants' San Francisco office, is all to do with their ability to manage change. Conventional management disciplines will not be good enough to dominate the turbulent economic and technological changes that will increasingly pervade virtually all sectors, he argues in the latest issue of McKinsey Quarterly.

Successful "change managers" will instead take bold and unconventional steps to announce new priorities, change procedures, ensure everyone understands what is going on and take a high profile in orchestrating the whole process, he says. This might sound about as surprising as motherhood and apple pie to anybody who has run a fast growing technology company, but Phillips has some interesting thoughts on the importance of presenting changes so that they pervade all levels of the organisation at once, rather than filtering down stage by stage from the top.

A conventional manager, he says, will plan a new move like a product launch or entry to a new market, announce it and spend maybe a few months leading the process before stepping aside to let line managers get on with it.

After a while, "the thrust towards major change peters out" because middle managers have not been encouraged to change their thinking and working habits to adjust to the new order of things, says Phillips. Not that there is anything wrong with good old-fashioned tenets like sound analysis and delegation — at least in stable times — but change managers need to go further than that. They must, says Phillips, inspire subordinates to overcome "deeply ingrained habits, core beliefs, shared values and entrenched political positions."

But how? For a start, he advises change managers to ensure that everyone affected by a new move is actively involved in launching it. Phillips cites the example of a US bulk chemicals producer that was losing market share to foreign competition and knew it should raise its sights from achieving volume to getting leadership in speciality chemicals, a change that required the revival of almost dead product development skills.

The chief executive started by announcing to staff his new objectives of getting closer to customers' individual requirements. He then ran a company contest for a slogan to describe the strategy, thus making it clear to all that they would have to collaborate with customers in a new way.

His next step was to make profound changes in the composition of senior management to reflect the new strategy. Young, market-aware managers were given product development and full profit centre responsibility. The chief executive then interchanged the top manufacturing manager with his counterpart at the head of the marketing department. Both objected vehemently, but were ambitious enough to adjust quickly to their new roles.

One more detail which might sound a bit bizarre to European managers, underlines the point that profound changes need to be in some way dramatised if people are to take them to heart. Once the new management structure had been worked out, the chief executive invited 75 of his top managers to a party at which each was handed a funny hat somehow befitting his old job.

Everyone was encouraged to swap hats until a whistle blew, whereupon prizes were doled out. After explaining the symbolism—job changes meant old conventions had to go out of the window — the chief executive handed out an organisation chart to clarify the new structure. Perhaps a less flamboyant British counterpart would have laid on bridge rolls and tepid Muscadet in a conference room.

The bulk chemicals man was a good change manager, explains Phillips, because he made his new objectives clear to everybody, explicitly contrasted the old and the new and shifted the balance of power accordingly. But change needs to be pushed strongly from the bottom as well as from the top, he adds.

Phillips points to the chief executive of an industrial equipment manufacturer who, in each of the first three years after the launch of a big change programme, visited 50 sites in his group to preach and listen to people at least five management levels below him. Being visible — and straightforward — were important in helping him to ensure that change took place at all levels. And it was the only way the chief executive could discover how changes were really going on, says Phillips.

Groups that are good at orchestrating massive and complex new projects include Bechtel, Fluor and Boeing, he reckons. But even they do not go all the way because they are only dealing with one-off campaigns. For the ideal change manager has to lead his organisation through a huge process of learning how to compete successfully in a new environment, what lessons can be drawn from each attempt to do something new, and how those lessons can be turned into new management methods.

When good management is not enough, The McKinsey Quarterly, Summer 1986, from McKinsey and Co, 55, East 52nd St, New York, NY 10022.

ADVERTISEMENT

United Merchant Bar plc

UMB — the joint venture between Caparo Industries and the British Steel Corporation at Scunthorpe has just been opened by Nigel Lawson, the Chancellor of the Exchequer. Initial production at the plant will be 120,000 finished tonnes of steel flats, angles and channels a year.

THE UMB project is, in many respects, a modern Phoenix rising from the ashes of an outdated sector of Britain's steel industry.

At the mill's official opening on September 4, Nigel Lawson paid tribute to the enterprise and commitment of all concerned in transforming the former Schloemann four-stand rod mill at Scunthorpe into a 15-stand horizontal-vertical bar mill which aims to become one of the most cost-effective European bar producers with facilities capable of supplying the high volume end of the market.

The initial annual production of UMB's mill will be 120,000 finished tonnes. Half of the output will be flats, initially in the 40 to 150mm width range and from 5 to 60mm thick. Other products will be mainly equal and unequal angles of up to 80mm, with channels up to 102mm by 51mm.

United Merchant Bar was set up in January 1985 by Swraj Paul's Caparo Industries which owns 75 per cent of the project and by British Steel (25 per cent) to rationalise the production of merchant bar at BSC's Scunthorpe complex.

Steel flats, channels and angles had earlier been produced by the BSC plants at Monks Hall in Warrington and Jarrow, near Newcastle-upon-Tyne. But the two mills were unable to process 100 per cent continuously-cast products and were remote from the Scunthorpe supply of billets.

The new UMB mill began hot trials in March, 1986, processing billets from the neighbouring BSC plant. Meanwhile, the outdated Monks Hall Works has now closed down and the Jarrow mill has been closed as UMB took over the production on angles and flats.

Mr Nigel Lawson, Chancellor of the Exchequer, with *Mr Swraj Paul (right), chairman of Caparo* Industries, at the opening of UMB's mill

● ***How the transformation began:***

BSC had examined the feasibility of modifying the original No 1 Schloemann rod mill, built 20 years ago at its Scunthorpe Appleby-Fordingham works on whose site the streamlined UMB mill has now been established. BSC's original plant closed in 1981, and in the following four years the mill deteriorated considerably.

It was not until the end of 1984 that the industrial group, Caparo, was found as a private sector partner for a joint scheme to transform the existing rod mill into a low-cost bar production plant. It is a measure of all concerned at UMB that the disused plant was transformed in just over a year into a versatile new light section mill.

The BSC feasibility plan for the project had involved an evaluation of the Jarrow and Monks Hall product mix to assess just what types of steel would be most favourably suited to a cost-efficient mill of the type planned by UMB.

Initially, UMB production is concentrating on flats and equal angles which make up most of the output. Unequal angles and channel production are being introduced in stages.

Mr Jim Crossman, UMB's Chief Executive, says that the company has been "fairly successful" in bringing back the existing assets that were re-usable at the old Scunthorpe plant and then grafting modern technology into the complex.

Now he describes the UMB plant as "a fit-for-purpose mill"—and he should know, since he was the chief engineer at BSC Scunthorpe and previously the works manager at No. 1 and No. 2 rod mills.

The complex challenge of modifying the old mill was complicated by the existing layout of the rod mill and the associated electrical plant configuration. But, even so, UMB has transformed the four-stand rod mill into a 15-stand single-strand merchant bar operation. The change has been brought about by such operations as removing redundant rolling stands, modifying those which were re-usable and buying three new interchangeable vertical "jolly" stands and a vertical cantilever stand for edge rolling.

Each single mill stand has been *altered for independent* motor control which is necessary for independent speed control of stands for bar rolling.

The major contractors for the supply of new equipment was Danieli of Italy — a company with considerable experience in mill modernisation. This equipment included four vertical stands, a 66 by 10m cooling bank, together with hot and cold shears, an automatic stacker and other ancillary equipment.

Thus, the challenge for UMB has been to modify the inherited infrastructure of the plant—the most noticeable alterations at the mill are a number of vertical stands, the removal of the coilers from the old rod mill and construction of a cooling bed.

Since the original mill structure was built 20 years ago in the grand manner of the integrated steel works of those days, Jim Crossman readily admits that there is no doubt that anyone building a new merchant bar mill on a greenfield site today would have approached the project in a different way—but the capital costs might be of the order of £40m, compared with the £10m cost to UMB.

● **From furnace to stacking:**

The mill's 80 tonnes/hour *pusher furnace* has been retained, however, with some refurbishment to adapt the operation for merchant bar feedstock. The furnace is fired with coke oven gas supplied from the adjacent integrated works—thus, billets can be reheated to rolling temperature of around 1,100 degrees centigrade.

The UMB billets are supplied by BSC's nearby eight-strand Rokop Davy continuous caster.

An Asea fully-digital Speedmaster controller has been integrated into the production system with a mercury arc converter main-drive installation. This represents some of the latest in automatic mill control on speed matching and tension-free rolling. It also has the ability to store automatic rolling programmes.

By combining the Asea Speedmaster system with a Ceda process control system for the auxiliaries, such as the roller tables and shears, it is possible to achieve a fully-integrated operation of the 15 stands, hot shears and cooling bank under a single operator's control.

In the downstream operation after rolling, merchant bar products are sheared to cooling bank lengths and cooled prior *to being transferred in packs* to the cold shear, which cuts products ranging from 6m to 15m lengths, according to customers' demands. Bars are then transferred via a roller-straightener machine or by-passed to the automatic stacker.

● **Markets and customers:**

The UK market for flats and light sections is currently static. UMB will be one of the largest UK producers with around a 25 per cent market share competing with about 30 per cent share held by importers. UMB's marketing policy will aim particularly at reducing the need for those imports by offering a high level of service and competitivity.

Since April 1985, UMB has been handling on an agency basis the sales of merchant bar produced on the older BSC mills at Monkshall and Jarrow. It has therefore a clear profile of its customers and their further potential now that it is a low-cost producer. Of UMB's 300 customers, around 70 per cent are stockists and this underlines the importance of *the UK steel stockholding* industry.

Looking to the future it may be possible for UMB to make use of the 200,000 tonnes annual capacity of the hot mill by competing in export markets—dismantling of the EEC quota system may well open up new opportunities. For the moment, however, UMB will work *towards a profitable operation* within the existing production level of 120,000 tonnes/year.

● **Financial returns:**

Caparo is a growing industrial group which looks for a high level of return on capital employed. How can this be obtained in a static or declining market such as the steel industry?

Mr Paul cites as examples of similar success his companies Natural Gas Tubes and Wrexham Wire—both of which make very satisfactory profit returns based on the most modern plant, small workforces and low overheads. These same factors which give low-cost production and thus the chance for profit in this *competitive industry* are present in the UMB project and were summarised in Caparo's recent annual report:

● Modern plant with computer controlled mill set-up facilities. Together with the agreement of a single union/total flexibility agreement with employees this means high productivity levels per employee; manpower requirements are estimated at only one-third of those in the old high cost BSC mills which UMB replaces.

● Ability to use large lower cost concast billets from the adjoining Scunthorpe Steelworks with a consequent increase in *yield and reduction* in transport costs.

● A low-cost overhead structure with the constant reminder that despite its large size in sales (1987 sales forecast at over £25m) UMB must think, act and *style* itself on the best *practices of a small company.*

The final capital cost will be approximately £10m, financed principally by £4.7m of seven-year leasing facilities at a low interest cost (approximately 7 per cent), and £1.6m of Government grants.

The combination of low-cost production facilities and medium-term capital finance at an average cost below 6 per cent gives Caparo confidence to look for substantial profits from 1987 onwards when the mill is in full production.

● **The employment scene:**

In all, 500 men were employed at the old Monks Hall and Jarrow operations, but the streamlined and cost-effective UMB mill is geared to a workforce of only 155. Meanwhile, a single union agreement has been negotiated at UMB involving total worker flexibility.

Mr Swraj Paul, chairman of Caparo Industries, says that the history of harmonious industrial relations at the plant has influenced UMB's decision to grant the Iron and Steel Trades Federation sole recognition rights.

The ISTC union has signed the single-union agreement which secures sole recognition rights for clerical, technical production and maintenance workers at the UMB mill. It is the first time that a single-union agreement has been signed in any company in which BSC has a stake.

BSC, however, has no operational control over industrial relations or manning levels at UMB.

● *For more information on UMB and its products, please telephone 0724 853333.*

A section of the new UMB mill at Scunthorpe

CAPARO INDUSTRIES' WIDE INTERESTS

LED by Swraj Paul, the Indian-born entrepreneur, Caparo Industries is an industrial *conglomerate* with wide interests in steel, general industry and electronics.

The company is listed on the London Stock Exchange where its ordinary and convertible preference shares have a market capitalisation of about £38m. The company is 75 per cent controlled by Mr Swraj Paul and his family but has over 3,000 other shareholders, including leading *city institutions.*

The group's product areas and companies range from:

● Wire—Wrexham Wire Company.

● Small *diameter* tubes and hollow sections—Barton Conduits of Walsall and Barton Tubes Limited of Canada.

● Forgings and pipe fittings—Clydesdale Stamping Company; High Pressure Forgings Limited; Tube Fittings Limited; William Whitehouse and Company (Atlas Forge) Limited.

● Forklift truck sale, hire and service — Nationwide Forktruck Services Limited.

● *Steel stockholding* — CMT Midland Stockholders and CMT Steels and Supplies (Northern) Limited of Oldham.

● Aluminium castings — Barton Aluminium Foundries Limited.

● Cast iron and steel shot and grit — Barton Abrasives Limited.

● Steel fabrications and mining equipment—Walton and Company (Wolverhampton) Limited.

● Consumer electronics — Fidelity plc is one of the largest UK manufacturers of 14 ins colour televisions and has an increasing share of the large screen market, together with a full range of audio/hi-fi and CD equipment. It is also the only UK manufacturer of Cordless telephones.

● Swraj Paul's family company in India, the Apeejay Group, also operates mini-mills, steel plants and shipping.

● *For more information about Caparo Industries, please telephone the London office on 01-486 1417 (telex: 8811343 Caparo G).*

THE ARTS

Television/Christopher Dunkley

Programming laid with wall-to-wall irony

Battle has been joined once again in television's most keenly fought contest: the duel for the early evening audience on Saturdays. The autumn season, television's most important, is just starting and last week between 5.35 and 9.00 on Saturday, ITV launched no fewer than five "new" series in succession. Sure enough four of them — *Blind Date, Copy Cats, Dempsey And Makepeace* and *3-2-1*—promptly went into the ITV Top 10, with the first two making it into the national Top 10.

This week came BBC1's response, arranged with all the scheduling skills of Michael Grade, the man whose previous television career was spent in commercial companies in Britain and the US, and who was brought into the BBC as controller of BBC1, now Director of Programmes for the whole of BBC television, partly because of his supposedly Machiavellian cunning with a scheduling graph.

ITV begins its Saturday "build" with *The A-Team*, that ultra-violent American gunplay series which is known to be particularly successful with children. So Grade has arranged for BBC1 to start its build just 15 minutes earlier with an asset lured (that is the polite word) away from ITV last year: Roland Rat. This puppet character in a blue denim cap and dark glasses, who speaks in the accents of a Cockney evacuee raised by Australians, now stars in *Roland Rat—The Series*.

The rat abdicates at 5.45 to be succeeded by *Dr Who*, a character pulled off screen by Grade when he first joined the BBC. For some reason television fantasy—especially space fantasy—induces greater dedication among its fans than any other type of programme (reactions to *Star Trek* and *Blake's Seven* confirm this) and there was a hurricane of protest when Grade stopped the doctor. After nearly 25 years the series maintained an extraordinary popularity and dropping it seemed a perverse move. But perhaps the idea was that absence would make the heart grow fonder and that the rest would make *Dr Who* an even bigger ratings attraction when he did return; such devious plotting would not be out of place in the Saturday evening battle. Anyway, the doctor is back.

He continues until 6.10 (with *The A-Team* still running on ITV) and is succeeded by a Noel Edmonds game show. This week it was *Telly Addicts*, next week it will be highlights from old episodes of *The Late Late Breakfast Show*, and next month Edmonds begins a new run of his series. His start time puts him just 20 minutes ahead of ITV's game show *Blind Date*, which is introduced by Cilla Black. When Edmonds finishes he hands over to Paul Daniels, conjuror turned telly "host," who fronts *Every Second Counts*, another game show.

'Giving the public exactly what its least demanding members want is not what most of us mean by public service broadcasting.'

"Common junctions" with programme start times coinciding on different channels so that viewers can comfortably switch from the end of a BBC programme to the start of a programme on ITV are, of course, anathema during this sort of ratings contest. Thus the Paul Daniels show runs on until 7.20 putting it five minutes beyond the start of ITV's popular series *Copy Cats* with its impressionists and comedians. Anyone watching BBC1 and contemplating switching over for *Copy Cats* will find at 7.20 that he might just as well stay where he is because BBC1 begins its own comedy in *The Russ Abbot Show*.

At 7.45, with five minutes still to go before the end of Abbot on BBC 1, ITV starts *3-2-1*, yet another game show. Five minutes later BBC 1 switches to its new hospital saga, *Casualty*, which lasts 50 minutes and is succeeded by an old movie and then the news. ITV meanwhile offers the news, then the crime series *Dempsey And Makepeace*, and then an old movie.

There are four splendid ironies to be savoured with regard to this ratings battle, starting with the fact that it takes place on Saturday evening. For the BBC the day is immaterial. In order to maintain their claim on the licence fee they feel the need for a regular opportunity to prove that they can please the mass audience just as successfully as ITV does, and perhaps more so. But Saturday is the one day in the week which is not followed by a shopping day, making it the least attractive for many advertisers and thus the very last day that ITV would choose to do battle. Yet they find themselves obliged to respond to the BBC challenge.

The second irony concerns those earnest claims about public service ideals which we hear whenever the current British broadcasting system is brought into question—as it was for instance by the Peacock inquiry. Nowadays such claims come just as insistently from ITV as from the BBC. Yet when the chips are down as on Saturday night what do we find? The lightest of light entertainment. Drama series that make Barbara Cartland and Edgar Wallace look like intellectual giants. Moronic game shows not only from commercial television but from the BBC, and not just one at a time from the BBC but in pairs. Giving the public exactly what is wanted by its least demanding members may be a service of some kind, but it is not what most of us mean by "public service broadcasting."

The third irony, closely connected to the second, emerges when you consider the attitude of British broadcasters towards the efforts of their American colleagues and then observe what the British themselves provide on Saturday evenings. There are some British broadcasters who will acknowledge the professionalism and worldwide popularity of American programmes, but they are few and far between.

The very people who use such excellent series as *Hill Street Blues, M.A.S.H., The Rockford Files*, and *Kojak* (currently screened respectively by Channel 4, BBC2, BBC1 and ITV) to win audiences for their own channels, also express loathing and contempt for American television generally. It was the Director General of the BBC (which fought so tenaciously to keep *Dallas* for itself and stop ITV capturing it) who

'The greatest irony is that families are fragmenting into their constituent parts and taking control of scheduling for themselves'

repeatedly used the words "Wall to wall *Dallas*" as a cautionary phrase to describe the supposed horrors of American programming.

Yet Britain's own Saturday night schedules look like nothing so much as second rate imitations of their American counterparts. *Roland Rat — The Series* is like a cheap and nasty copy of *The Muppet Show*, the telling difference being that when Kermit the frog promised star guests we actually got star guests, from Glenda Jackson to Elton John. When Roland the rat promised Sylvester Stallone this week it was merely a "joke." The British game shows lack the slickness and the prizes provided by their American originals. And the script editors on an American hospital drama such as *St Elsewhere* would die of shame before permitting the clichés and the predictable formulae of *Casualty* to reach the screen.

At ITV the story is the same only more so. *The A-Team* is actually imported from America, *Blind Date* was launched on American television in 1949, and *Dempsey And Makepeace* is a crime series which uses an American star (Michael Brandon) and American car (Oldsmobile) and American language ("She'll think you're with a hooker . . . stoopid broad"). Unfortunately, being written in Britain, the scripts lack the tightness and polish which are achieved so consistently in America. Naturally the Saturday night movies on both BBC and ITV are American.

The fourth irony stems from the assumption upon which all this scheduling is based. It is no mere coincidence that *The A-Team* appeals as much to children as to adults, that the "children's" series *Dr Who* has featured a succession of nubile girl assistants, that *Roland Rat — The Series* combines animal puppets and a lissom troupe of girl dancers who bump and grind in suspenders and stockings, and that series such as *Dempsey And Makepeace* and *Casualty* are designed to appeal equally to men and women.

The assumption, dating from the 1950s and 1960s, is that early on Saturday evenings the audience is even more widely mixed than usual: men and women, grandparents and children, all watching together. No doubt there are still many homes where that is true, but there is no doubt either that the pattern is now changing faster than at any time since the start of television. Changes in family structures and, even more important, the rapid increase in multi-set homes and VCR ownership is ensuring that different members of the family watch only what each wants, so that the need for universal appeal is declining.

The greatest irony is that, with the broadcasters making ever more sophisticated refinements to their scheduling skills to attract family audiences, families are fragmenting into their constituent parts and taking command of scheduling for themselves.

The House of Bernarda Alba/Lyric, Hammersmith

Michael Coveney

Alastair Muir

Patricia Hayes and Glenda Jackson

This extraordinary revival of Lorca's last play, written in the year of his assassination, 1936, brings to the London stage a rare mix of European talent. Glenda Jackson plays Bernarda, the authoritarian widow shutting up—literally—her five daughters in an Andalusian village after the funeral of their father. Nuria Espert, the great Spanish actress and Lorca specialist, directs the all-female British cast.

The design of a monumental white farm house, a facade of grilled apertures, peeling plasterwork soaring into the roof, is by Ezio Frigerio, Giorgio Strehler's longstanding Milan collaborator. The wonderful costumes, mostly black, a riot of lace mantillas and strict hemlines, are by another Strehler colleague, Franco Squarciapino. And the translation, suppler and more appropriate than Tom Stoppard's for Greenwich in 1973, miles better than the "official" Secker and Warburg stilted version, is by Robert David MacDonald of the Glasgow Citizens.

It must have been difficult to discover a unifying rhythm for Lorca's impassioned and embittered vision of life on the *vega* of Granada, but Miss Espert's production is as evocative as we have any right to expect. There is a conflict between the upstart bourgeoisie of the household and the longstanding maid La Poncia.

The curtain rises on the slow tolling of bells and the scrubbing, resentful subordinate of Gillian Hanna expelling a beggar from the premises (another layer of peasant hierarchy). La Poncia, superbly played by an earthenware, sleeve-rolling Joan Plowright, spits vehemently at Bernarda's chairs before polishing them to a presentable shine.

Bernarda and her maid provide the twin emotional poles between which the sisters oscillate. The focus of attention is the unseen 25 year old gold digger, Pepe el Romano, who has spied the eldest daughter, Anguistias, flitting among her sheets and windows. The action does not so much grow as sidestep brutally to a climax through an offstage cacophany of barking dogs, a kicking stallion and the distant rollicking of happy masculine reapers, and the differing sexual claims made on Pepe by three of the sisters.

It is strange now for a play to show women torn apart by the absence of men in their lives and it is necessary for today's audience to allow Lorca his radical anti-Catholic stance on these rural nunneries. Miss Jackson rules the roost with the hollow bark of the upstart gentry, cutting her daughters down to size with a searing right hand and a fixed stare of granite severity. The more flexible Miss Plowright supervises the sorority's snipping and sewing of sheets with a tale of her own marriage.

Upstairs, locked away, is Bernarda's 80-year-old mother, who yearns to return to her own village on the coast and to be married again. She breaks loose in the last act, suckling a toy lamb and, in the weirdly unsettling form of Patricia Hayes, capering nude beneath an assortment of mock bridal veils a Miss Havisham of the *vega*.

Angustias is given a reading of spikily spinsterial vulnerability by Julie Legrand, a girl apart by virtue of a different father, inherited money and desperate recourse to hair curlers (very good wigs, incidentally, a rarity on the London stage). Her destructive rivals are Amanda Root's energetic Adela and Deborah Findlay's vindictive, masturbatory martyr Martirio.

Astonishingly, Lorca's "200 women" arriving for the wake are represented in a generous procession of walk-ons, all well costumed. Each of Lorca's three acts (two are given before a long interval) ends in eruptive mayhem and it strikes me as not the least of Miss Espert's achievements both to absorb those climaxes and still to treat them as volcanic explosions.

Lorca subtitled his play "a photographic document" and the Lyric offers a series of haunting images as well as a faithful but imaginative version of the world of unmarried daughters glimpsed on the playwright's family estate. All credit to Hammersmith for leading where the National and RSC fear to tread. The show runs at the Lyric until October 25, and is more than deserving of your support.

Art changes the face of Cologne

September adds a new item to the list of the world's temples of culture. The latest one rises on the banks of the Rhine in the shadow of a temple of the spirit, the cathedral of Cologne. Just below the choir, where the "cathedral hill" slopes softly down to the river, the new building of the Wallraf-Richartz-Museum/Museum Ludwig rubs its spiky reptile body cheerfully on the soaring spirelets of the venerable gothic pile. An eyesore to some, an exciting dialogue between the old and the new to others. It changes the face of Cologne. Music and the visual arts join under the same roof. The museums sector has an integrated exhibitions area, library, cinema, workshops and offices. The philharmonic hall is in the shape of an amphitheatre. The reception areas are on different levels, interconnected by lifts and a winding staircase. Two previously homeless orchestras, the city's own "Gürzenich" and the radio orchestra of Westdeutscher Rundfunk, will have their permanent base there.

The two sectors open this Sunday to the public: 2,000 can be seated in the concert hall and many thousands would fit into the museums. The architecture does not play down its value as an object of pride and prestige. Cologne wanted a place among the great art and music centres of the world; that is what Cologne got—for DM 276m.

Busmann and Haberer, a partnership of architects based in Cologne, designed the building, the Israeli artist Dani Karavan the square in front of the entrance, Eduardo Paolozzo the undulating water garden stretching down to the Rhine, and Barna von Sartory the light-dome suspended on iron girders from the concert hall. The architecture creeps up to the cathedral but it does not engulf it, because it has literally dug itself in, hiding about a third of its space well below ground.

Stepped features and staircases of all shapes were dear to the architects' hearts. Standing in the concert hall, looking down into the concentric circles broken by sudden gaps and divided into irregular sectors, a present-day Dante might have dreamed up the shape of his *Inferno* in here.

The staircase hall of the museum sector is another matter. Here the architects turn traditional, vying with Cologne's baroque residences and a host of 19th century museum buildings. The grand, ceremonial gesture was here intended; an atmosphere of nobility, pedigree, solemnity — you can see that an awful lot of money was poured in. (Paintings hung in such surroundings clearly take second place.)

The galleries open along wide "street" passages on three floors. The idea is to allow free circulation, but never to overlook a wealth of artefacts.

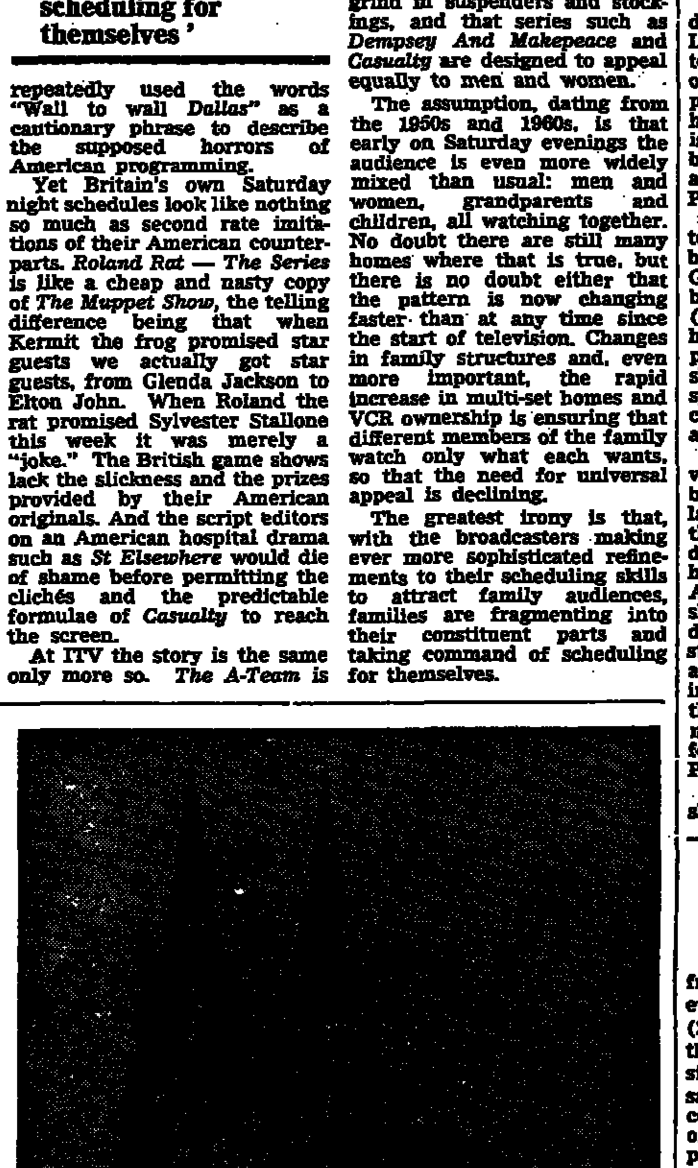
Rooms vary in size and dimensions; the *leitmotiv*, however, is the "factory" shed roof. The saw-tooth rhythm on the outside, lined with titanium plates suggests urban conglomeration nestling on the flanks of the cathedral. Inside, it dominates the galleries. Those sheds — bulging deeply into the room, the light streaming in from steep window bands — may be appreciated by some visitors as daring plastic forms by some, regarded by others as intrusions.

With its old masters, its apparently endless numbers of medieval altarpaintings of the Cologne school, its impressionists, the Wallraf-Richartz Museum is sandwiched between the modern collections of Museum Ludwig on the top and bottom floors. The Ludwig collection becomes officially a foundation with the opening of the museum — and the chocolate manufacturer from Aachen has yet another monument to his fame as one of the greatest and most ambitious collectors of art.

Thanks to Mr Ludwig, Cologne must now rank as one of the foremost showcases of modern art: classic works supplemented by the Schnitzer bequest of Max Backmann paintings: American abstract art; Germany's "New Wild"; Russian avantgarde, and sculptural structures by Segal, Kienholz and Immendorf.

No fewer than three special exhibitions attend upon the opening of the new building. The photography department pursues the theme of "tranquility" with works by Man Ray, Renger-Patzsch and Chargesheimer. The graphics department picks from its treasure chests a selection of master drawings from Leonardo to Rodin.

The main exhibition hall presents over 100 artists to document the "story of an artistic fascination: Europe/America since 1940." But the expanse of the exhibition hall has been divided up into a labyrinth of cubicles; canvasses glued frame to frame into prison cells. Better to get out before claustrophobia sets in.



Cologne's new arts centre, set in the shadow of the city's soaring gothic cathedral

Gunter Kowa

The Double/Bridge Lane

Martin Hoyle

The less lovable aspects of fringe theatre were much in evidence, including a late start (25 minutes) and an audience that ignored the "no smoking" signs and heaven knows what safety regulations, and succeeded in making 50 per cent of the critics present feel physically sick.

The Bridge Lane Theatre, off Battersea Bridge Road and a few yards from the Latchmere of equal fringe fame, at least partly redeems itself with the dramatic fare on offer. Red Shift, a group formed in 1982, seems to have a penchant for bold, stylised treatment of the classics. *The Mill on the Floss* is planned for next year. Meanwhile their four-actor adaptation of Dostoyevsky's novel of obsession and eventual madness begins a season that entails touring from the Lake District to Devonshire.

The minor civil servant cracking up as he believes himself persecuted by his double, floundering through emotional and professional disasters, is in the same Russian mould as obsessive Herman in Pushkin's Queen of Spades or Gogol's diary-keeping madman. Jonathan Holloway's production recalls German Expressionist cinema: the players' pale faces and dark-rimmed eyes, lips black or grey, occasionally assume masks. An actor can become a clock, his arms rigidly semaphoring the time as he intones the chimes. Charlotte Humpston's compact set—wall, window, door; table, chairs and long mirror—provide the background for snowy streets, Dickensian offices, ballrooms or claustrophobic interiors with the help of a company that transforms itself into carriages and horses, park benches or whatever animate or inanimate object the schizophrenic nightmare calls for.

The group unfolds the story with energy, confidence and style. We see the world through the deluded hero's eyes and suddenly the stage is peopled with snarling, writhing figures whose words set off echoes. When poor paranoid Golyadkin wants to turn the clock back, he whizzes backwards like a film being rewound at speed.

No proper cast list is given, but there is no need to single out any individual from the accomplished quartet—except perhaps to say that the two actors who share the main role are singularly strong and fragile respectively. Luke Kirby, Kate Paul, Jeremy Rawlinson and Michael Sheldon all deserve to be named. This stylish and intelligent company will be seen again.

Bavarian Radio Symphony

David Murray

The last foreign guests at this year's Proms are the Bavarians, here to perform with their principal conductor Sir Colin Davis. Davis has held that position for 13 of the 15 years he has spent as music director of the Royal Opera; as double lives go, that is a very long one, and in fact it covers about a third of the orchestra's history. The Bayerische Rundfunk has had good luck with conductors all along: Eugen Jochum and Rafael Kubelik were Davis's predecessors.

One might look to last night's programme for native specialities (Bruckner's Seventh Symphony, and the Sixth of Karl Amadeus Hartmann). On Monday we had accredited international fare, with Stravinsky's wartime Symphony in Three Movements followed by the Beethoven "Eroica" — rather a lot of noisy exultation for one concert, though it was good to find that Davis employed only the statutory winds for the "Eroica." (There are conductors who seem to think that conducting big Beethoven without doubling the winds incurs loss of face.) The orchestra was solidly expert, with notably well-honed horns and string sections who can play softly and still maintain their rounded tonal weight.

In Stravinsky Davis has always favoured a heavy tread: the Symphony in C can be a battering experience with him, and here the lighter "sinfonia concertante" side of the Symphony in Three Movements suffered a little. Rhythms were less tense than merely insistent; by the time we reached the duet for concertante piano and harp in the Finale, there was less electricity in the air than the music deserves. Perhaps the requisite dry, pointed sound does not come easily to a German orchestra, though otherwise they were alert and confident. The net effect was of music with a stentorian voice; I think the Symphony gains from brighter small details.

Certainly the collective orchestral sound fitted the "Eroica" more idiomatically. Davis led a brisk, energetic performance, not really on a heaven-storming scale; somehow the impetus of the final variations faded midway, and was never altogether recovered. Beethoven can be counted upon to draw a large Prom audience, who seemed satisfied—as well one might be, with an honestly conceived, vigorously executed reading like this. Revelatory it wasn't, but it was thoroughly professional.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

September 5-11

Theatre

NETHERLANDS

Amsterdam, Stadsschouwburg. Golden Gate Actors Ensemble (24 23 11).

Eindhoven Schouwburg. Chris Harris in his one-man show Kemp's Jig, the comic story of a musical clown in Shakespeare's company who turns his back on the bard and wins fame by Morris dancing from London to Norwich (Fri). (11 11 22).

WEST GERMANY

Munich, Gasteig Kulturzentrum, Carl Orff Saal: Royal Shakespeare Company. A Midsummer Night's Dream, devised last year by Toby Robertson. (089) 41 81-614.

LONDON

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Bunraku Puppet Theatre: Japan's traditional popular theatre with its life-size puppets. Sister theatre to Kabuki, they share a common repertoire. This month's performances feature one of the most popular plays for Bunraku, Imoseyama Onna Teikin by Japan's best-known 18th century playwright, Chikamatsu. Matinée at noon, evening performance, 4pm. National Theatre near Akasakamitsuke and major hotels. English programme and excellent earphone commentary available. (265 7411).

Romeo and Juliet (in Japanese), an important new production directed by internationally known Kabuki female impersonator, Tamasaburo Bando, starring Hiroyuki Sanada and others. Sunshine Theatre, Ikebukuro (987 5281).

Contemporary Music Network season

Korean drumming, Argentinian tango music and Hungarian folk are among the highlights of the new season of tours by the Arts Council's Contemporary Music Network. The network will present 90 concerts in all in 29 towns throughout England, Scotland and Wales.

Mr Luke Rittner, secretary general of the Arts Council, said that audiences for network shows have increased 56 per cent in the past three years. "Anyone who sticks to the view that contemporary music is for a very small audience is rapidly becoming out of date," he said.

The season includes the first tours of Britain for the young British jazz orchestra Loose Tubes, the American composer Anthony Davis with his ensemble Episteme, the Argentinian "King of Tango" Astor Piazzolla, and the Norwegian saxophonist Jan Garbarek.

Hungarian new music by Gyorgy Kurtag and folk music will be presented by Christopher Bradley and Adrienne Csengery. Samul Nori, a group of Korean master drummers, will perform traditional Nangak or "farmer's band music."

The season, the network's fifteenth, opens on October 14.

In London, where eight of the nine tours begin, bookings can be made through the Bloomsbury Theatre on (01) 387 9629.

FINANCIAL TIMES

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Wednesday September 10 1986

Long arm of the US courts

THE LONG-ARM tactics of the US courts are a cause of permanent vexation to America's allies and business partners. Like a vicious mosquito, they seem to disappear for a while only to reappear and attack with new vigour. Mosquito bites are, as a rule, not lethal, but they can cause great irritation.

At the root of the trouble is the fundamentally different approach to the discovery of evidence between the US and almost everyone else. While the general rule is that courts order the production of specific documents only when convinced that these are relevant to well defined claims, the US courts are ready to support sweeping demands for unlimited quantities of documents and testimonies described in generic terms, and at a stage in proceedings when the parties' claims are in no way defined. Such fishing expeditions may be undertaken not only by parties which have a general grievance but also in order to discover business secrets or to subject a competitor to a trial by ordeal — the production of long loads of "evidence" being extremely costly

Defensive statutes

A number of countries enacted so-called blocking statutes to protect their interests. These included Australia, New Zealand, Canada and India, and the matter became the concern of the Commonwealth Ministers of Justice. In Europe defensive statutes have been enacted by the Netherlands and by France. The UK's Protection of Trading Interests Act of 1980 differs by not being ultimately operative. It has to be activated by directives issued by the Secretary of State in the form of an order laid before Parliament. So far this has only been done on two occasions.

By contrast, the French law, passed also in 1980, provides for an automatic blocking of foreign requests for information, making it a criminal offence to disclose to foreign governmental authorities economic, commercial, financial, industrial or technical information which may affect French interests or sovereignty.

Such a general prohibition of information going abroad, achieved also by the Swiss law for the protection of commercial secrets, may be going too far. The interaction of trade and of the securities industry requires efficient supervision, and this cannot be achieved without allowing the supervisors to communicate among themselves and also with operators in another country.

Confused issues

Two general rules should be observed. First, interested parties including those in dispute should be free to ask for and obtain information as long as this is provided voluntarily by those who have it. Second it should be accepted that the jurisdiction of courts in one country does not extend over persons and property in another. Therefore when information is denied the only way forward is to ask for the assistance of local authorities and local courts, as provided by the Hague Evidence Convention, instead of trying to enforce information by sanctions against foreign subjects

These issues have been repeatedly confused in US courts. They tend to think that they can choose between the Hague Convention procedure or direct enforcement, sometimes ignoring even blocking statutes. This confusion seems to have penetrated also the British Government's brief submitted to the Supreme Court of the US in the case of a French company subject to product liability proceedings in the US. The brief seems to give up the principle of territorial jurisdiction and only to ask that the enforcement of evidence abroad by US courts should be moderated by considerations of comity or mutual courtesy between courts and by balancing US and foreign interests. If this indeed is to be confirmed by the Supreme Court as US law, there will be hardly any escape from tightening the legislation protecting British trading interests.

Unrigging the housing market

ANY POLITICIAN could willingly sign his name to the statement of objectives set out in the report on British housing policy just issued by the Royal Institution of Chartered Surveyors — that everyone should be enabled to live in a suitable house in sound repair, without discrimination, with a free choice of tenure, and free from harassment; that help should be focused on those who need it; and that special provision should be made for the old and disadvantaged. Virtually none of them, however, would support the means which the RICS thinks necessary to achieve these objectives. Outside experts, on the other hand, would have only minor reservations about the whole report. The problem with housing is not to define a sensible policy, on which, as the institution says, there is now a clear consensus outside parliament, but to persuade politicians to support it.

The present state of the housing market, the product of generations of political bribery, is now the most important remediable cause of social injustice, regional decline and long-term unemployment. Sensible policies have now been put forward not only by the leading professionals and economists but by such diverse groups as the Church and the Duke of Edinburgh's inquiry. A programme which would simultaneously improve labour mobility, relieve poverty, and mobilise entrepreneurial initiative ought to have general appeal. Bad economic policies, however, always create vested interests, and sensible housing policies seem as unattainable as sensible tax policies.

Adequate protection

The value of the RICS report is not that it contains any new ideas — it does not claim to — but that it covers the whole field of housing policy, for possibly the only way to make any progress at all is to tackle the problem comprehensively, as the Americans have found in reforming their tax system. Piecemeal change in a distorted market produces new distortions which may be as bad as the old.

Each element in the familiar programme has its wistful supporters somewhere in the political spectrum. The abolition of mortgage tax relief has long appealed to the left, as well as the more logical minds on the right. The relaxation of rent control was actually set in hand by Richard Crossman, a Socialist, but the right is still afraid to go the whole way. A reform of planning legislation might help mobility, but frightens the conservationists on the right, and those on the left to whom any new profit opportunity is a red rag.

Yet these three changes taken together and backed by a comprehensive system of housing benefit based on need, would produce a functioning housing market and, above all, a revival of the rented sector, which could not only restore mobility and thus enable the labour market to function, but could recreate the kind of investment boom which this country enjoyed in the 1930s, while providing adequate protection for the disadvantaged.

Each element is essential if the benefits are to be reaped. Abolition of mortgage tax relief would not only provide the financial resources for a sensible system of benefit, but it would provide level advantages for owner-occupiers and private landlords. It would also damp down the price inflation which might otherwise drive rents up too fast to be politically or socially tolerable. A better supply of housing land in areas of high demand pressure would further support these aims; but low-income families would still require some help, whether as owners or tenants, if the housing stock is to be maintained at a reasonable standard.

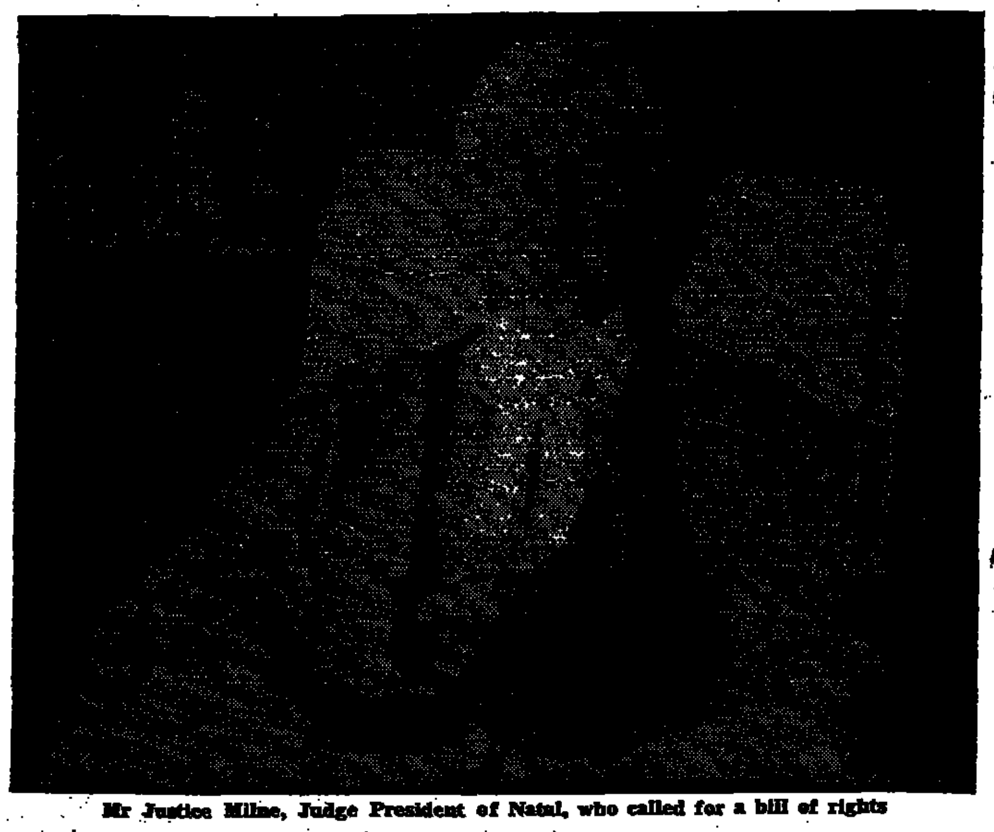
These principles, which are simply those of a social market economy, ought not to be contentious; indeed, they broadly define the practice of housing policy in many other countries. The details are, and ought to be, debatable. It is a matter of nice judgment how much support for the needy is justifiable to create a market for housing for future as well as present generations and to support proper maintenance—and how much might be more inflationary than helpful.

The role of the local authorities, both as landlord, and in assembling urban sites for private development, is also debatable; the RICS favours local decision-making and an energetic use of compulsory purchase powers, but others might be more cautious. The sanctity of the existing green belts, imposed in days when our major conurbations were expanding aggressively rather than decaying, is also a touchy subject. But all debate on the details is purely academic in the present political climate. We are still waiting to support one senior politician with the guts to say that these radical principles, so widely supported outside parliament, at least demand urgent study.

South Africa's judiciary

The power of the state goes on trial

By Anthony Robinson in Johannesburg



Mr Justice Milne, Judge President of Natal, who called for a bill of rights

HARDLY a week passes in South Africa without a court case which, in one way or another, challenges the immense powers given to the state under the internal security laws and the state of emergency.

Last week the Supreme Court in Natal declared invalid emergency regulations which empowered the Commissioner of Police to confiscate or close down newspapers if they possessed or published anything which, in his opinion, was subversive. This week the hopes of thousands of detainees, and the attention of the legal fraternity, are focused on Bloemfontein, the country's judicial capital.

On Wednesday the Appellate Division of the Supreme Court in Bloemfontein sits to adjudicate between contradictory rulings made by two Natal courts last month which not only challenge the legality of the emergency regulations, but raise wider questions about the role of the law, parliament and the judiciary in South Africa.

After three decades during which the Afrikaner-dominated parliament churned out a vast and confusing panoply of security and other laws restricting individual rights, the judiciary and a new breed of civil rights-conscious lawyers have recently shown an increasing willingness to exploit chinks in the legislation.

A milestone in this process appeared to have been reached early last month when, in the case of Tsenoli v the State President and others, three judges of the Durban and Coastal Division of the Natal Supreme Court ruled that Mr Lechesa Tsenoli had been illegally detained. The court ordered his immediate release.

The legal argument hinged on the difference between powers granted by parliament to the State President under the 1953 Public Safety Act—which empowers him to declare a state of emergency—and the powers delegated to the security forces under sections 3(1) and 3(3) of the state of emergency regulations issued on June 12.

The court found that the regulations derived from the Public Safety Act, gave greater power to the arresting officer than those conferred upon the President, and were therefore invalid.

The ruling, which in effect declared *ultra vires* the regulations under which the security forces have arrested over 12,000 people since the state of emergency began, led detainees across the country to apply urgently for their release.

A few days later, however, the Natal Supreme Court in Pietermaritzburg gave an opposite ruling. It found the regulation in question was valid and rejected an appeal brought by Mr Peter Kerchoff, a detained church worker. The three judges in the Pietermaritzburg court held that the Durban court's ruling "would defeat the obvious intention of Parliament which was to confer wide legislative power on the State President."

The Appellate Division of the Supreme Court in Bloemfontein must now decide which of the contradictory rulings is valid.

The Bloemfontein court, the highest in the land, is the final court of appeal for the five provincial divisions of the Supreme Court. In the meantime, all but Mr Tsenoli and a handful of others remain in detention.

Whatever the verdict in Bloemfontein, the latest confusion over the emergency laws has brought into sharp relief much broader questions about the role of the judiciary in a country where the government has for years boasted of judicial independence, while introducing some of the most comprehensive restrictions on individual liberties anywhere in the world.

Professor John Dugard, head of the Centre for Applied Legal Studies at Witwatersrand University in Johannesburg, and one of the country's most respected legal academics, traces today's conflict between the executive and the judiciary back to the victory of the Afrikaner-dominated National Party government in 1948. Before then the South African Supreme Court had enjoyed the reputation of being the best in the British Empire. The legal system, based on Dutch-Roman law, is heavily influenced by British legal practice. As in Britain, judges are appointed by government entirely from the ranks of the bar.

When the National Party took power it inherited judges chosen by the previous United Party government led by General Smuts. These judges were in the main out of sympathy with the racially biased laws and security legislation introduced as Gen. Smuts built up the apparatus of apartheid. The new government reacted by making its own politically-inspired appointments to the bench, replacing many English speakers with pro-government Afrikaners. This process culminated in 1955 when the government increased the size of the Appelate Division from 5 to 11, ensuring a majority of executive-minded, mainly Afrikaner judges enabling it to force through the removal of Coloured voters from the electoral roll.

In the following years, as men like Dr Hendrik Verwoerd and Mr John Vorster pressed ahead with their vision of Grand Apartheid, the courts steadily lost their reputation for independence and lawyers, losing heart, stopped bringing civil rights cases.

In the eyes of liberal jurists and lawyers, the fundamental weakness of the South African system of justice lies in its adherence to the English principal of the sovereignty of parliament—in a totally different socio-political context.

Whereas in Britain, parliament is not only sovereign but also representative, in South Africa parliament is a racially exclusive body — although Indians and Coloureds are represented in the new tricameral parliament introduced in 1984, blacks are not. Since 1948, parliament has been dominated by the National Party, which has sought to impose its own blueprint on a country whose black majority is unrepresented.

This fact was underlined three months ago when the government pushed through amendments to the Public Safety and Internal Security laws which allow 180-day detention without trial and powers to declare states of emergency in specific areas. The legislation was forced through despite the fact that the government was outvoted by a combination of opposition in the white House of Assembly and the other two houses. This was possible because of the National Party's built-in majority in the President's Council which, in the event of a deadlock between the houses, enables the President to bring in legislation by decree.

The argument that the untrammelled and continuous exercise of power by the Afrikaner minority makes a mockery of the concept of parliamentary sovereignty has been re-inforced by such recent actions.

This was highlighted in February when Dr Frederick van Zyl Slabbert, former leader of the opposition Progressive Federal Party (PFP), resigned from parliament declaring that it was an irrelevant farce.

Mrs Helen Suzman, the veteran MP and PFP spokeswoman on law and order, declared in a no-confidence debate two weeks ago that the emergency regulations had been drawn up by "men drunk with power" who paid scant regard to the clarity of language and none whatever to the laws of natural justice. Liberal lawyers have added to the criticism by categorising the state of emergency as an attempt to achieve "order without law."

Faced with the shortcomings of parliamentary sovereignty in the South African context, interest has been mounting in the concept of a US-style bill of rights as the bedrock of a stronger defence of civil rights. In February the Federated Chamber of Industries (FCI), one of South Africa's most important employer organisations, drew up its own five-page proposal for such a bill. In Natal negotiations between representatives of all races for a multi-racial executive and legislature for the province have also centred on a bill of rights which was drawn up last month.

The Government continues to hold the judiciary up for acclaim as an independent institution—despite the growing criticism

The concept is also gaining support among the judiciary. Last autumn Mr Justice Milne, the Judge President of Natal province, called for a bill of rights which, combined with the power of judicial review, could help prevent political abuses and protect minority rights.

One of the key arguments used to persuade businessmen to accept the idea was put forward by Professor Marinus Weichers of the University of South Africa. He argued that such a bill, which would include the right to private property and private business in addition to guarantees of equal protection under the law irrespective of "race, colour, language, sex, religion, ethnic or social origin, age, property, birth, political or other opinion or economic or other status," would help to ward off the danger of expropriation and nationalisation by a future black-dominated government.

Cautious support for the bill of rights concept was also expressed by Mr Kobie Coetsee, the Minister of Justice, at last month's congress of the National Party in Durban.

Despite the growing criticism, the government continues to hold the judiciary up for acclaim as an independent institution which distinguishes South Africa from the dictatorships and one-party states of much of the rest of Africa. When the Minister of Justice opened a police station and magistrates' court in the Northern Cape earlier this year he went so far as to claim "our legal system cannot be outclassed. The truth is there are no courts anywhere in the world whose judges' and magistrates' integrity is higher than ours."

It was a statement which amazed many in the legal fraternity. Two years ago, Professor Raymond Wacks of Natal University had roundly declared "the only honourable course for a moral judge in South Africa is to resign."

The growing realisation by judges that respect for the law and its practitioners has declined seriously, especially among blacks who are so often at the receiving end, is one of the powerful forces behind the new-found willingness of judges to challenge executive abuse of its powers, Professor Dugard believes.

Another important factor is the emergence of a new breed of civil rights lawyers, academics and organisations modelled on, and partly financed by, civil rights lawyers and organisations in the US.

One of the most significant signs of a fresh approach by the judiciary is the phasing out in the early 1980s of the 30-year practice of selecting executive-minded, pro-government judges for political trials.

Now such cases are taken by judges on a rota basis. Although there are still many conservative, pro-government judges in circulation, the outcome of political cases is no longer a foregone conclusion. According to Professor Dugard, the appointment of Mr Justice Rabie as Chief Justice in 1982 has also brought a new whiff of independence to the top of the profession.

The largely English-speaking province of Natal has gained the strongest reputation for judicial independence and "liberal" interpretation, one of the reasons why so many civil rights cases are argued out in the Natal courts.

Mr Justice Milne is widely regarded as one of the foremost "liberal" judges, a reputation enhanced by his handling of the recent treason trial in Pietermaritzburg. This led to the release of all 16 defendants after tough cross-questioning of the state's case.

In the Transvaal, where most of the judges come from the conservative Afrikaner-dominated Pretoria bar, judges like Mr Justice Goldstone are widely perceived as having re-introduced a more rigorous approach to the often ill-prepared cases put forward by the state in civil rights and other matters.

In themselves, the courts cannot do much. They can only ensure that the powers delegated under the emergency regulations, for example, do not exceed the wide powers given to the government under primary legislation approved by Parliament. But the fact is that they are now exercising that function with zeal.

The broader significance of all this is that the growing political challenge to the legitimacy of the South African minority government in the streets and townships is finding a parallel in the courts which for nearly four decades have thrown a veneer of formal legitimacy over laws viewed by millions as unjust, repressive and discriminatory.

Men and Matters

Forward from Dallas

At 10.30 this morning when the loyal viewers of CBS, the embattled US broadcasting giant, are normally watching game shows like "Break the Bank" and the "Card Sharks," the directors of America's most famous TV network are holding a board meeting. And judging by the gossip on Wall Street, it is going to be even more breathtaking than Bobby Ewing's return from the grave in next Friday's episode of Dallas.

For days, speculation has been swirling about the meeting which comes at a time when CBS's profits are falling and its prime time ratings are slipping. There is talk that Laurence Tisch, the billionaire investment tycoon who was brought in to help CBS defeat Ted Turner last year and now controls 25 per cent of the company, is planning to make some top management changes at its "Black Rock" headquarters in the heart of Manhattan.

The speculation has been fuelled by the latest cover story in Newsweek magazine, entitled "Civil War at CBS." In a story which does not pull its punches, Newsweek describes CBS as "once the most prestigious corporation in the most glamorous of industries" but now "a financially ailing, deeply demoralised organisation churning with dissension."

This is all good knockabout stuff in the best traditions of the New York media world but Wall Street was particularly intrigued by Newsweek's assertion that James Wolfensohn, a CBS director who runs his own investment bank, had contacted Philip Morris and Westinghouse Electric to see if they would rescue CBS in case Tisch cuts up at today's board meeting.

CBS says this is nonsense and that Wolfensohn has not been retained as CBS's investment banker and has not been asked to contact would-be purchasers. However, the "smart money" on Wall Street believes there is something in the wind. Tisch has refused to sign a standstill agreement limiting his stake in the company to 25 per cent and Newsweek says he has the backing of William Paley, the 84-year-old CBS patriarch, who still controls 8 per cent of the company.

Running high

Unilever has chosen one of Anthony "Cob" Stenham's former personal assistants to succeed the group's long-serving financial director who is departing for a new career with Bankers Trust.

Irish-born Niall FitzGerald worked with Stenham for two years in the mid-1970s — "a very concentrated learning period," he says.

Like his predecessor, FitzGerald will join the main Unilever boards as their youngest member in May next year. But at 41, he will be three years older than Stenham was when he took over the financial reins in 1970.

FitzGerald joined Unilever as an accountant in 1967 after leaving University College, Dublin, with a degree in commerce.

His career with the group since has covered a wide slice of its international operations. After his two years as Stenham's assistant, he was appointed an overseas commercial officer with responsibilities for operations in countries as far apart as Japan, Turkey and Kenya. In 1978, he became Unilever's first commercial officer for North American operations; and from 1980-85 was financial director of Unilever South Africa before returning to London as treasurer.

Unilever delighted the City a few weeks back with half-year profits soaring to £518m — and FitzGerald says he is "lucky to be joining a highly successful team with a smoothly-running machine pointed in the right direction."

But, he adds, it is a huge and complex operation in which everyone needs to keep on his toes. Running, however, just happens to be one of his favourite pastimes.

"Wouldn't surprise me if Arthur now demands a secret ballot before we accept the pay increases"

Domesday

Battling to win concessions from its creditors, the ailing Canadian energy producer Dome Petroleum has turned to less conventional sources to help bring down its C$6bn debt.

The Calgary-based company managed to raise C$110,000 (£55,000) last week by auctioning 200 desks, 700 chairs and other pieces of surplus office furniture, most of them in need of repair.

Bill Wigley, a local auctioneer who handled the Dome sale, reports that business in used furniture is brisk as one oil company after another lays off staff and vacates costly office space. Low oil and gas prices have put an estimated 40,000 people out of work in Western Canada so far this year.

Over 500 buyers attended the Dome sale, some from as far afield as Vancouver. The mood at the auction was a sharp contrast to the gloom currently pervading Western Canada's oil industry or the frustration of Dome's creditors, who have recently been asked to forgo interest and principal payments on the bulk of their loans. According to Wigley, "We try to create a fun atmosphere. It helps the prices."

New Gulliver

Bloody but unbowed after his Argyll group's bid for Distillers was frustrated by Guinness, James Gulliver has turned to new interests.

Gulliver has endowed—with a sum, it is said, of about £100,000 of his own money—a chair of business studies at Buckingham University, the independent seat of learning celebrating its tenth anniversary this year.

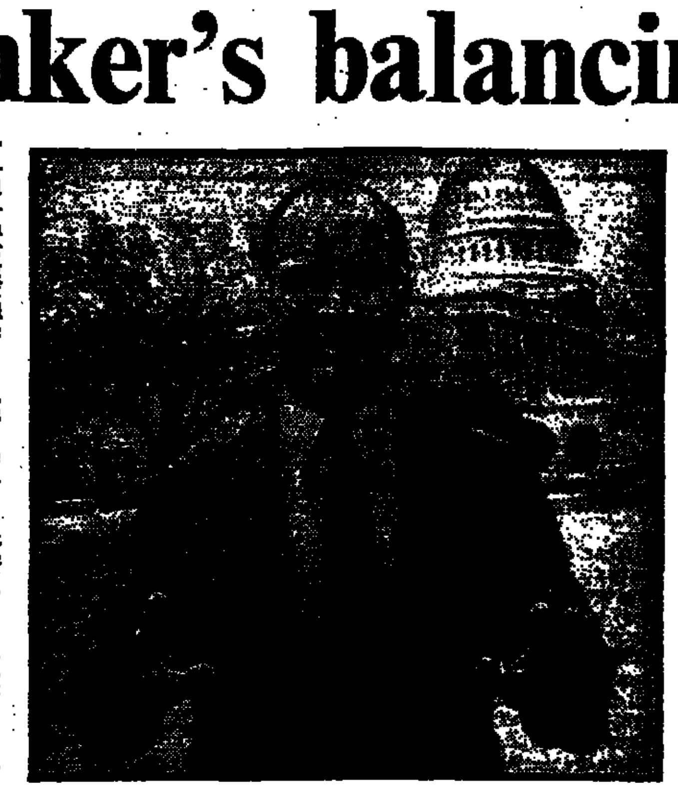
Gulliver, himself a Glasgow University graduate in engineering, announced the endowment at a Savoy Hotel lunch attended by Education Secretary Kenneth Baker. Buckingham's business studies programme is the university's second biggest and the James Gulliver Chair enables it to appoint two further lectureships—in marketing and in production and manufacturing systems.

Gulliver says: "I hope the chair will act as an example to other well-off businessmen and companies. We must never forget that our economic growth is directly related to the place that we give business education in our society."

Observer

Stewart Fleming interviews Mr Barber Conable

A banker's balancing act



Mr Barber Conable, president of the World Bank

WHEN, later this month, Mr Barber Conable, the newly-installed president of the World Bank, reports to his shareholders on the operations of an institution which lends over $15bn a year to developing countries, the expectations of government officials and bankers in his audience will be high.

In March Mr James Baker, the US Treasury Secretary, decided that Mr Conable was just the man he needed to rejuvenate the agency which he called on a year ago to play a leading role in tackling the Third World debt crisis.

So how does the earnest 63-year-old former Republican congressman intend to set about a task for which he readily concedes he has little practical experience?

"I do not come here with a big agenda," he says, sitting in the modest ante-room adjacent to the large office occupied by his predecessors, but which he has abandoned. "I am not an experienced banker, development or administrative person."

Mr Conable agrees that two months after he officially took office, an atmosphere of uncertainty—a top official uses the word "paralysis"—has gripped the institution. Already some 7,000 staff are fearful that the modest and approachable man in the president's office, who with the light touch of the American politician refers to new acquaintances as "friends," is about to transform their working lives in ways they may not like. Others, contrarily, fear that the patience which this cautious and pragmatic ex-politician is showing means the far-reaching changes and the firm leadership they yearn for will not materialise.

But most agree Mr Conable has begun to make some kind of mark. "I have started out here beefing up the president's office," the new president says. "I have terminated the management committee, which was a "structural device at the top designed to achieve consensus in the Bank management." That consensus, he maintains "simply was not there on many occasions," all of which obscured accountability and raised "all kinds of confusion about who was making decisions and when they were to be made."

Mr Conable wants there to be no doubt that today accountability rests with him. It is a view which will endear him to those in the bank who believe that history has demonstrated that strong, presidential-style leadership is needed to make it function effectively.

He evidently hopes, too, that this will diminish conflict within the institution, which he says is typical of a bureaucracy. "I regret the degree of polarisation there seems to be between the board and the management, the (developing and developed) countries and the bureaucracy and the policy people."

Neither is the new president unaware of the mood of those around him or of the fact that some feel the time for action is running out. "I am not going to flail around to create change for the purpose of demonstrating my control of the institution," he says. Nonetheless, necessary changes will be made by the end of the year. Then it would be a question of buckling down to "make the existing structure work as people expect it to."

It is Mr Baker's programme for the Third World which heads that list of expectations. "I think one of the major elements in our operations will be a co-ordinating role," by which he means trying to ensure that all the agencies, bilateral and multilateral, work effectively in the Third World.

"But," he adds, "that means inevitably more adjustment lending," the sort of shorter term advances to developing countries Mr Baker is backing and whose disbursement is tied to the borrowers' acceptance of the need to undertake economic policy reforms, such as trade liberalisation, in return for the money.

In spite of this, he says, traditional "project loans" will "probably remain a majority of our work here." He also strikes an unyielding note towards right-wing Republicans on Capitol Hill who want the World Bank to be a sort of Trojan horse for Reaganomics in the developing world.

"I think we have seen . . . we have to encourage those procedures which encourage growth . . . and that means not necessarily always totally free markets because we have to do it within the traditions and acceptable political patterns of individual countries."

He also firmly rejects the proposal from New Jersey Senator Bill Bradley that a radical new approach to the debt crisis is needed in the form of writing off billions of dollars of bank loans. "I just do not think," Mr Conable says, "you are going to have a good environment for the voluntary lenders to come forward with the sums of money are needed if we are talking about debt forgiveness."

To the challenge that they are not coming forward (private bank lending to the Third World has been falling this year) he says he believes that the banks do "seem willing to participate" in the huge $12bn refinancing package for Mexico.

He adds that when he visited New York in July for a private chat with the banks — the personal sort of diplomacy he favours — they wanted reassurance about what the World Bank would bring to the pot. "They wanted to know that we were not just putting in a couple of hundred million dollars. In fact the bank is undertaking a $3bn-plus lending programme in Mexico in 1986 and 1987.

On some of the burning issues facing the Bank as it prepares for its annual meeting at the end of the month Mr Conable is, however, tight-lipped. He says, for instance, he is not aware of any adverse impact on the Bank's relationships in black Africa stemming from the apartheid struggle.

Asked about the doubts whether donor countries will reach agreement on providing new funding for the International Development Association (IDA), the World Bank agency which lends to the poorest countries, Mr Conable concedes there could be a problem.

The problem is that Japan, if it is to put in more money for the IDA, wants a bigger shareholding in the World Bank. Bank officials complain that in return the US, which would have to surrender some shares to accomplish this, is pressing Japan for concessions on, among other things, bilateral economic policy issues. "If they do not agree between themselves obviously that will slow the process down," Mr Conable says guardedly.

Similarly, on the threat to World Bank funding from Capitol Hill, as his former colleagues try to agree budget priorities in the Gramm-Rudman era, Mr Conable concedes that "domestic politicians are always sceptical about foreign aid. Statesmen," he adds, "usually understand that aid of various sorts . . . is part of a balanced programme — balance is a magic word in government —and we expect that ultimately, outside the political season, cooler heads will prevail."

True to his reputation, the new World Bank president is determined to be one of those cooler heads.

Inflation and unemployment

Let us seize an opportunity

By Richard Layard

THERE IS a basic mystery, or is there? According to common opinion, European unemployment went up in 1974-76 and 1980-82 because of the oil price rise. If the opinion is right, one would expect unemployment to come down when oil prices fall, as in 1985-86. Yet few forecasters are expecting much of a fall, if any—as the OECD projections show.

Are they wrong? Probably not. For the bad employment effects of the oil price rises came in two phases. In the first phase unemployment rose due to the direct effect of the price rise in depressing the real demand for European output.

But at the same time the oil price hike increased the core rate of inflation. People did not like this and in consequence further deflationary action was taken to increase unemployment and thus to reduce inflation to where it was before the shock. This led to a second phase of increased unemployment—induced by the governments' reactions to increased inflation.

This provides the clue to our mystery. The fall in oil prices may eventually have some benevolent "direct" effect on European employment. But what about the second "indirect" effect? Which government is considering stimulating employment to the extent that would put inflation where it would have been without the oil price fall? Few, if any. Instead they are choosing to take most of the benefit in terms of lower inflation, rather than lower unemployment.

This seems an extraordinary choice, when inflation is already below its level in 1970. With inflation so low, the social value of further reductions is much less than at higher rates of inflation. And, equally important, it is much more difficult to reduce it further. More additional unemployment is needed to do the job. Hitting zero inflation is very costly.

Equally, unemployment is now very high. This means that the social value of reducing it is very high. And the inflation cost of reducing it is low, compared with what it would be at lower levels of unemployment.

So with inflation low and unemployment high, the arguments for reducing unemployment were already strong before the fall in oil prices. The arguments are now overwhelming. It would be a tragedy not to use this opportunity to expand, when the inflationary risks are so much lower than they would be at other times.

However, despite all this, inflation is still a huge problem. In the short run, lower oil prices mean we can have lower inflation at any particular level of unemployment. But our main problem in the medium term is to reduce the level of unemployment consistent with non-accelerating inflation (NAIRU). It is not clear whether the fall in oil prices will have any permanent effect on this. In the UK, which is roughly self-sufficient in oil, a fall in oil prices means that the gross profits of oil companies fall, and thus the profit wedge between wages and prices is reduced. This bonanza for workers initially makes it easier to contain inflation at any given level of unemployment. But in due course workers may come to take the new living standard for granted.

Econometric work by Stephen Nickell and myself suggests that by general reflation (even done slowly) it would be very difficult to hold unemployment below 2½m for any long period without ever-increasing inflation. This means that we need a strategy for changing the NAIRU. I have tried to set one out in my book, How To Beat Unemployment.

The strategy has many elements. Jobs must be targeted towards the long-term unemployed, through a job guarantee for which the Charter for Jobs will be seeking to promote a Private Members' Bill. There must be a huge expansion of training. There must be cuts in employers' national insurance contributions on disadvantaged workers. But above all, there must be a permanent incomes policy — to restrain the permanent inflationary pressure that will otherwise persist.

The aim of this incomes policy should be to lock in inflation at its present level. To be permanent, it must be consistent with free collective bargaining. Since collective bargaining mostly occurs at the level of the firm or plant, this rules out any policy in which specific rates of pay are dictated from the centre. The broad frame of policy must of course come from the centre and be agreed if possible by the TUC and CBI. But the policy itself should consist simply of a mechanism which exerts a general downward pressure on wages, leaving actual wage rates to be determined through collective bargaining or by simple management initiative.

The best mechanism would be a counter-inflation tax. There are a number of misconceptions about this proposal. Let me clear them up.

1—There would be a nationally agreed norm (or other less offensive term). This would apply to the average level of earnings in a firm. It would not apply to the earnings of any particular individual or grade of workers.

2—If a firm paid more than the norm, the policy would not collapse. Instead the firm would pay a tax penalty equal to its excess wage bill.

3—The aim of the policy is to stop inflation rising, not to reduce real wages. Thus one could imagine a policy in which the norm was set typically at say 1 per cent below last year's price inflation. Some firms that wanted to attract labour or reward extra productivity growth would find it worthwhile to pay more than the norm.

4—The scheme would be very simple to administer. Earnings would be defined as for Paye, and each firm would calculate its own tax liability and send off a cheque at the same time as its cheque for Paye.

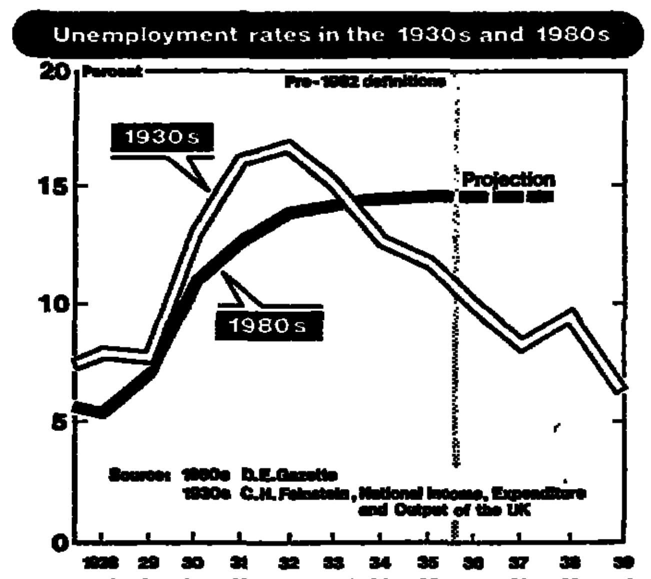
5—It need not discourage productivity-improving deals between management and workers. These could be achieved if the limit on earnings growth did not apply to any growth in profit-related pay arising from genuine increases in profits.

Many firms dislike the idea of the counter-inflation tax. But they also want more business. Present government policy is not going to provide that. But other policies which do provide business will also provide inflation, unless we can devise some form of viable incomes policy.

We cannot stay where we are. We are developing a culture of unemployment, such as began to develop in the 1930s. At that time, as now, it was said that the unemployed either did not want to work or were not suited to the work available. Then, as now, there was some truth in the stories of work-shy workers and ill-trained hands. But then demand arose and the fall in unemployment was striking. Under current policies there is no prospect of unemployment falling as it did in the 1930s. But with more demand it would.

And, equally, inflation would rise unless we face reality and lock it in. Let us seize the opportunity of the oil price fall to expand now. Zero inflation would be a hollow victory, with resources and lives running to waste.

The author is Professor of Economics and Head of the Centre for Labour Economics at the London School of Economics. His book, How To Beat Unemployment, will be published tomorrow by Oxford University Press at £3.95.



Letters to the Editor

Output and employment

From the Group Economic Adviser, Barclays Bank

Sir,—Samuel Brittan (September 8) refers to the fact that the relationship between the growth of total output and that of employment varies from country to country. This is not surprising in view of long-term differences in the growth of output per person.

What is perhaps more interesting is the sharp contrast in Britain between the period 1979-85 and the six years before 1979. The growth of GDP was about the same in the two periods at 8 per cent (GDP average measure). But recorded employment fell by 3.9 per cent between mid-1979 and mid-1985, whereas it rose by 1.3 per cent in the earlier period. The contrast supports the view that the much greater rise in unemployment since 1979 cannot be interpreted simply as a deficiency of demand. Neither can it be explained, for example, by differences in the growth of the labour force or of the capital-intensive oil sector; for these were not significant.

Various hypotheses might account for the difference. One factor on which I would place *some emphasis* (see Barclays Review, August 1985) is the higher level of interest rates. In the short run, at least, this causes firms to squeeze out possibly "spare" labour more than it leads them to substitute labour for capital.

Harold Rose,
54 Lombard Street, EC3.

Small investors betrayed

From Mr J. Roberts.

Sir,—On the day that as a shareholder I received from Guinness the circular relating to directorate changes, I read in the FT that institutional shareholders are likely to approve them.

I question whether, even allowing for vagaries of the postal system, notice of the extraordinary general meeting was despatched in time for members to have 21 days' notice.

More important, however, your report means that once again the institutions are abrogating their responsibilities. Given the actual (rather than legal) impotence of the small investor when oppressed, the self-regulatory system relies on our larger brethren for enforcement.

At a time when mega-bids were raising concern at concentration of power, the Guinness acquisition of Distillers went ahead with the assurance that the roles of chairman and chief executive would remain separate. That promise has been broken.

If the chief executive would submit to authority of a chairman, such a person could have been found and the other suggested appointments would be unnecessary. As he refuses so to submit, even in the face of so much criticism, the alternative of giving Guinness an unique and cumbersome directorate structure is pointless.

By taking (according to reports) an 80 per cent pay rise in the midst of the furore, the incipient chairman of Guinness shows, for a person of such marketing reputation, curious insensitivity unless he is confident the institutions will back down and betray small investors.

John Roberts.
Warren,
Old Bartholmy Brooms,
Sundridge,
Nr. Sevenoaks,
Kent

An anti-poverty strategy

From Mr C. Pond and Mr D. Byrne

Sir, — Your critique of the TUC plan for a national minimum wage (September 5) is based on two contentions that are seriously flawed. First you refer to the OECD's analysis of the French "salaire minimum" to support your claim that a minimum wage would increase unemployment, especially among young people.

Yet your own report of the study (August 13, 1985) pointed out that "the OECD admits that studies of the minimum wage, which is increased regularly by more than the inflation rate in order to boost low incomes, have produced no evidence that it has had a significant effect on wage inflation or unemployment." The French minimum wage currently stands at the sterling equivalent of £90 a week, slightly higher than the initial level suggested by the TUC.

Your second contention is that "the real problem in Britain is not low wages but low incomes." Directly raising low wages has no place in tackling poverty, you argue, because it is not just the low paid who are poor. Recently published official statistics show that low pay is the single most important cause of low income. Over 4.1m people were living in poverty or on its margins in 1983 despite the presence of at least one full-time wage-earner in the household. Even these figures hide the indirect effect of low pay in generating poverty. Among the elderly, for example, those who are unable, through low earnings, to accrue pension rights and property are more likely to find that poverty follows them into retirement.

Supporters of a minimum wage do not argue that it is a panacea. Changes in the tax and social security system are essential components of an anti-poverty strategy. But seeking to solve poverty through fiscal measures alone is to treat the symptoms of the problem without tackling the causes. The result is that the taxpayer is required to meet the bill of providing adequate incomes for the low paid, instead of employers. Not only does this create stigma for those required to depend on state benefits. It is also wasteful and inefficient in economic terms.

Chris Pond and Dominic Byrne.
Low Pay Unit,
9, Upper Berkeley St, W1.

Time zone advantages

From the chairman, London Commodity Exchange

Sir — Following the article and correspondence on London's time zone advantages (August 20, 28 and September 1) it might perhaps help to explain further.

It is true that in terms of time difference, London-Tokyo and New York-Tokyo, the distances are approximately the same. It is however the location of these cities east or west of each other that is significant. Tokyo differs from New York by 10 hours but the International Date Line comes between; the fact is that New York and Tokyo are on different days when their trading times coincide.

To illustrate this:

If it is 12.00 hours GMT, it will be 21.00 hours in Tokyo and 07.00 hours in New York.

If Tokyo is trading, say 08.00 to 18.00 hours, times in London will be 22.00 (the previous day) to 0.800 hours and in New York it will be 17.00 (the previous day) to 03.00 hours.

London is trading while both Tokyo and New York are still awake and London is the only one of these cities with trading hours that overlap with those of the other two.

Saxon Tate.
58 Mark Lane, EC3

SDP plan helps pensioners

From Ms J. Hayes

Sir,—The fears of your correspondents (August 30 and September 4) that pension[illegible] would lose under the SDP's tax and benefits [illegible] groundless. Pensioners do not at present pay national insurance contributions: therefore they will have a special tax rate (the same as the present income tax rate) so that they do not lose out from the integration of NICs with income tax. They will also be fully compensated for the phasing out of the married man's tax allowance. The result of the reforms as a whole will be that pensioners will gain.

It is a pity that these points were not reported, although they are clearly stated both in the main text of the SDP's policy document and in the summary of the proposals.

As secretary to the SDP working party on taxation and social security, I can confirm that the Liberal Party has been closely consulted on the proposals.

Josephine Hayes.
3 New Square,
Lincoln's Inn,
WC2.

Refuse in the Thames

From the Chairman Thames Water

Sir,—I am grateful to Peter Newman ("Floating refuse in the Thames" August 30) for his comments on the unsightly state of the tideway. Both Thames Water and the Port of London Authority share his concern.

The PLA is the navigation authority for this section of the Thames, and as such is responsible for clearing hazards to navigation. Such hazards are usually big solid objects which could damage a boat. We are responsible for controlling pollution, but that relates essentially to the "health" of the water in scientific terms. This we do by controlling discharges to the river, and by regular water-quality monitoring. No one, however, has the responsibility for the clearing of surface rubbish as such.

We have said before that split responsibilities—there are some 50 bodies involved in the management of the tidal Thames — are not helpful in focusing positive action on the tideway. Mr Newman highlights one such problem of concern to us all.

Mr Newman may like to know, however, that we are already discussing this problem with the PLA and the London boroughs with the express intention of curing it.

Roy Watts.
34 Smith Square, SW1.

Tied to the soil

From Mr N. Mullan

Sir,—Prior to Mrs Thatcher's reshuffle, one thought has struck me. Why is it considered so important for the Minister of Agriculture always to be a farmer when it does not appear necessary for the Minister of Health to be a doctor or the Minister of Defence to be a military man?

H. J. R. Mullan,
[illegible]3, St George's Drive, SW1.

FINANCIAL TIMES
Wednesday September 10 1986

ECONOMIC STABILITY AND LIBERALISATION DRAW INVESTORS TO D-MARK BONDS

Germany attracts foreign funds

BY JONATHAN CARR IN FRANKFURT

FOREIGNERS are markedly boosting their long-term investment in West Germany, evidently attracted by good economic prospects, political stability and a liberalised capital market. As a result, the country looks set this year to register its first long-term capital surplus since 1981.

Figures released yesterday by the Bundesbank (central bank) show that the long-term capital account in July was DM 3.4bn ($1.64bn) in surplus, after showing a deficit of DM 147m in June.

The long-term capital account for the first seven months is now no less than DM 25.4bn in surplus, after being DM 2.6bn in the red in the same period of 1985.

West Germany's overall capital account is clearly in deficit because of a strong net outflow of short-term funds. But the long-term figures offer a fairer guide to the investors' judgment of Germany's prospects, in the fourth year of economic upswing and before the general election next January.

The key single factor boosting the long-term capital inflow in July was the investment by foreigners of DM 5.6bn in German bonds (as well as another DM 500m in shares). By comparison, German residents invested just DM 1.2bn in foreign securities.

The inflow figure underlines the success the Germans have had in attracting foreign capital, since they abolished two years ago the coupon tax which foreigners used to have to pay on the interest received from German domestic bonds.

It also makes clear why foreign banks incorporated in West Germany are now being allowed to participate in the consortium which places federal government, post and railway bonds. With non-residents playing a decisive role in German bond-buying, it would have been difficult to exclude the foreign banks from the group for much longer.

It is against this background of a big net inflow of long-term funds and a current account surplus which more than doubled in the first seven months to DM 40.5bn, that the German currency has been strengthening. The D-Mark has gained more than 20 per cent against the dollar since the start of this year and risen by about 6 per cent against the currencies of Germany's 14 main trading partners.

But the stronger currency may already be undercutting export success, even though the visible trade surplus is increasing in nominal terms. The Bundesbank notes that, in volume terms, German exports were up by only 1.5 per cent in January-July, while imports increased by 7 per cent.

Ford UK calls for tighter monitoring of Nissan

By John Griffiths in London

MR DEREK BARRON, chairman and chief executive of Ford of Britain, yesterday called for close monitoring of the EEC content of cars produced by Nissan in the UK. He said much stricter criteria should be applied to all cars seeking to qualify as European.

He was commenting on an announcement on Monday, two years ahead of schedule, by Nissan that it will proceed to production of 100,000 cars a year by 1991 at its plant at Washington, Tyne and Wear, and perhaps eventually up to 200,000.

He said the new criteria should be a minimum 80 per cent EEC content, measured on an ex-works cost basis and "rigidly enforced."

He said Ford had not so far made any attempt to raise the proposal at industry level but warned that "if we don't do it now, we'll be sorry."

Mr Barron's EEC content proposal would be much more restrictive than current rules, which adjudge a car to be European if it has a 60 per cent local content measured by ex-factory gate price. This allows all overheads, and even the company's profit margin, to be included in the calculation.

The proposed criterion would not only exclude these, but also make it virtually impossible for a manufacturer to comply if it imported, for example, engines or transmissions from outside Europe.

Even a newcomer company's research and development, if not rooted in the EEC, should be made subject to royalties of licences, Mr Barron said.

In this way the EEC would ensure that "the price of the entry ticket" would be the same for incoming manufacturers as indigenous producers.

You don't give someone the keys to the kingdom unless they're prepared to put down roots."

Mr Barron, who also disclosed sharply increased productivity at Ford's UK plants, stressed that Ford viewed Nissan as "just another competitor" and that Ford "has the capability and potential to compete with anyone."

However, he warned: "We have got to see Nissan as a 200,000 a year competitor."

THE LEX COLUMN

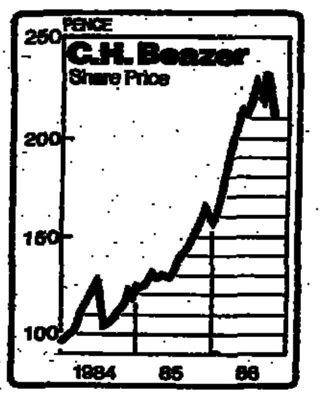
Ten-gallon deal for Beazer

When C. H. Beazer was bidding unavailingly for Bath & Portland – less than two years ago – it was still easy to dismiss Beazer as an ambitious small company in danger of making one bid too many. Several acquisitions later, with the successful bid for French Kier under its belt, there is no question but that Beazer has graduated into a league where the market has a ready appetite for the next deal, and even for the next bale of paper.

Yesterday's proposal to make a $283m tender offer for Gifford-Hill, a US aggregates and cement business, was accorded every sign of respect, despite Gifford's mixed profit record, and the fact that it has been sniffed over by other potential bidders for a year or two; the market showed not the slightest qualm about underwriting a two-for-three rights issue to finance the deal. In fact, Beazer's shares proved impressively resistant to such a heavy expansion of the equity, falling only 20p to settle neatly on the theoretical ex-rights price of 210p.

Not that the whole transaction is as cut and dried as this calm reception may suggest. Although the Gifford management is recommending acceptance, Beazer has no guarantee that it has done more than open a public auction in New York. As with the partial tender that Beazer made for SGB last year, which ended with SGB in other hands, Beazer may yet find that its spade-work has only prepared the site for another bidder.

Meanwhile, Beazer has refreshingly decided not to ask for the rights money until after the takeover has been completed; no Gifford, no rights. With too many shareholders in Gifford to permit a vendor placing, a rights issue was perhaps the only way forward, but it would be a bit much to ask for a non-returnable £183m on spec. With a friendly £200m bridging facility from the Nat-West, Beazer can afford to wait; the point that it is worth going to well-capitalised advisers will not be missed by acquisitive chairmen.



Booker

Booker's difficulty in holding its shareholders' interest has been its tendency to sprawl. Its current shape looks almost trim with only three main divisions, plus the hotch-potch called Other Activities which holds the irrelevant but too-good-to-sell bits. Now all investors must do is understand food distribution, health products, and agribusiness. But within those groupings the range is rather more disparate than the image builders would like to admit, and Booker's fondness for small acquisitions does not help.

So a rise in half-year profits from £17.6m to £21.4m cannot be pinned on any one, or even 10, things. Meanwhile, movements on the acquisition and disposal account – £85m in and £35m out – are almost as important as what goes through the p and l. A lot of totting up suggests a pre-tax figure of £54m for the year, compared to £46.5m, and with the shares down 5p at 355p, a multiple now above 13. That after all is what the simplification exercise is about.

UK money supply

The scriptwriters on the monthly UK money supply show have run out of ideas. Yesterday's episode again centred on a shock rise in sterling lending to the private sector, of £2.5bn in banking August, delaying a base rate cut. As the government securities market had already decided that events abroad would not permit a reduction yet, the impact was not severe.

Though the storyline might be dull, it is all the more disturbing for its repetition. The growth in personal sector borrowing, presumably going through to spending, must be good news for clearing bank profits (not to mention estate agents and retailers). And as bankers' response to a customer reaching his credit limit seems to be to increase that limit, the consumer boom could be good for sometime yet, even without the famous glacier of liquidity defrosting. The simple consequences are a worsening of the balance of payments and a small but significant rise in inflation, neither of them good for sterling.

It is not too serious yet, and there is no sign of a gilt edged buyers' strike scuppering funding plans. Cuts in international interest rates may well allow a base rate fall in time for the British Gas flotation. But it is hard to avoid the thought that this autumn could see the cyclical bottom of nominal interest rates as well as of inflation.

Guinness

Proxy votes for or against the resolutions to be put at tomorrow's Guinness meeting have already been lodged. But those who have chosen to vote at the meeting itself may still be undecided. That does not signify lack of resolve, but a proper regard for the complexities of the issue: the critical first resolution is an unsatisfactory composite, which does not allow the shareholders to vote distinctly on the key question of whether Mr Ernest Saunders should be both chairman and chief executive.

If one thing is clear from the events of the past few months – from the time when journalists were first given off the record hints of supposed shortcomings in Sir Thomas Risk – it is that Mr Saunders is the sort of meteoric chief executive who most requires the restraining hand of a chairman. The non-executive committee is supposed to take this role, but clearly lacks the authority of a single indivisible voice.

If voting down the resolution pushes the Guinness board and its advisers into adopting a more acceptable structure then the company will be better off. The worry for many institutions is that Mr Saunders and his colleagues might make such a rebuff a resigning matter. But Mr Saunders does not appear to possess a notably thin skin, and he has not taken the opportunity to swing the vote by warning that he would leave if crossed. It is natural to assume that be wishes to retain all his options. If the management were to walk out, however improbably, the Guinness share price might fall sharply in the short term. But in that case the institutions who ditched be old Distillers management should stand ready to canvass suitable replacements.

UK building group in $283m US deal

BY CHARLES BATCHELOR IN LONDON

C. H. BEAZER, the UK housebuilding, contracting and building materials group yesterday set the seal on four years of hectic growth with a $283m agreed takeover bid for Gifford-Hill, a construction materials company based in Dallas, Texas.

The bid, which has the backing of just over 20 per cent of the US group's shares, will be financed by a two-for-three rights issue to raise £183m for Beazer, net of expenses.

This takeover, if successful, will give Beazer annual turnover of more than £1.2bn ($1.8bn) compared with only £16.6m in 1979.

It is a further step in the conversion of Beazer from a small housebuilder into a broadly based UK construction company with growing overseas interests.

It is the latest in a series of takeovers in the US building materials industry, including Marley's purchase of General Shale Products for $94m and Blue Circle's acquisition of Atlantic Cement for $145m.

Mr Brian Beazer, the chairman and son of the company's founder, said: "Gifford-Hill presents an opportunity which matches our requirements in terms of country, currency and industry."

Gifford is the sixth largest cement producer in the US with five plants in the "Sunbelt" states. It ran into a difficult patch in 1985, but a cost-cutting programme led to an improvement in pre-tax profits to $16.8m in the first six months of 1986 compared with a loss of $600,000 previously.

The company is listed on the New York Stock Exchange, but a large chunk of its shares is owned by three families, the Giffords, the Hills and the Porters. A dispute between the families gave Beazer the opening it needed to make an offer, Mr Beazer said.

Gifford has an important aggregates business which was particularly attractive to Beazer, which tried unsuccessfully to buy Bath & Portland, a UK aggregates company two years ago.

Beazer already has small US housebuilding and contracting business but intends to use Gifford as a springboard for further expansion in the aggregates and ready mixed concrete business in other states.

The British company will make a tender offer of $32 a share for Gifford's shares. It already owns a 5.5 per cent stake and has options on a further 15.6 per cent, but success is not guaranteed and a rival could emerge.

It is issuing 105.7m shares at 180p each by way of a rights issue to finance the deal. This money will not become available until the takeover is completed so Beazer is taking a £200m bridging loan from National Westminster Bank in the meantime.

Bank move threatens Wah Kwong rescue

BY DAVID DODWELL IN HONG KONG

EFFORTS TO rescue Wah Kwong, the Hong Kong shipping group that foundered in January with debts of almost US $850m, suffered a setback yesterday when Chase Manhattan, a leading creditor, announced moves to arrest one of Wah Kwong's vessels.

Wah Kwong attacked the New York bank's move as "precipitous" and admitted concern that it would hinder efforts to win backing from other creditors for a restructuring plan that has been under negotiation for six months. If they or trade creditors follow Chase's lead, the collapse of the group, which is Hong Kong's third largest shipper, would be almost immediate.

Chase Manhattan said the arrest of the Sabodine Venture in New Orleans followed the failure of "repeated efforts to reach a compromise" on a plan to restructure Wah Kwong. Chase holds mortgages over three of the vessels in Wah Kwong's 65-vessel fleet and has been pressing to leave just one of these inside the rescheduling agreement.

An interim agreement between Wah Kwong's 46 main creditors to provide breathing space in which to draw up a survival plan expired on August 28, leaving the group with no revenue. Agreement on a survival plan is needed within days rather than weeks if the group is to avoid liquidation.

Two other leading creditors are understood to be refusing to sign the proposed survival plan. Of the rest, about one third have backed the plan while many have been biding their time and will undoubtedly be affected by the Chase move.

Chase said its own loans to Wah Kwong were fully secured and complained that under the survival plan, it was being asked "to give up a wholly secured position for a substantially less secured one."

In response, Wah Kwong said: "Chase have a compromise on the table that the company and its advisory committee of creditors find completely unacceptable.

"We have drawn up a survival plan that is better than liquidation for all classes of creditors."

While the arrest of the Sabodine Venture came as a surprise, Chase's qualms over the terms of the rescheduling plan have been widely known for some weeks. Officials at the bank, both in Hong Kong and the US, have come under extreme pressure from other creditors to drop demands that are regarded as constituting a "special deal."

The company insisted it will continue to discuss a compromise with Chase but no one was optimistic yesterday that such discussions would bear any fruit. In June Citibank came close to breaking ranks with other creditors over its own part in the agreement.

Bonn attacks US over rate pressure

Continued from Page 1

not take any of the measures it was being asked to do. But he claimed that the Bonn Government was already playing its part in equalising international trade imbalances.

The D-Mark, he noted, had appreciated some 10 per cent against the most important currencies since March last year and by 50 per cent against the dollar. Real domestic demand in West Germany would probably rise a "dynamic" 4.5 per cent this year.

The main thrust of his address, in presenting what is effectively an election budget – a general election is scheduled for next January – was to drive home the Kohl Government's commitment to cutting taxes and to promise to make greater efforts towards cutting back on tax breaks for industry, a common form of West German subsidy, in order to help pay for more reforms.

Mr Stoltenberg said his 1987 budget which, at a total of DM 271bn, is 2.9 per cent higher than this year's, would also require a DM 600m increase in government borrowing, sending total federal borrowing for next year up to DM 24.3bn.

He said the increase in borrowing had been forced on the Government, which was determined not to tamper with the tax cuts already in train, but had had to make extra payments into the EEC and also faced, in 1987, a forecast DM 5.7bn cut in the profits which the Bundesbank will turn over to the Finance Ministry this year.

David Marsh adds from Paris: France and West Germany last night pledged to step up action to fight terrorism and called for a prompt meeting of EEC interior ministers to discuss ways of tackling the latest wave of international violence.

Mr Jacques Chirac, the French Prime Minister, and Mr Helmut Kohl, the West German Chancellor, speaking after talks in Paris, also promised to boost bilateral technology ties and voiced confidence that a joint anti-tank helicopter project would go ahead.

The project, an important symbol of the two countries' efforts to increase armaments collaboration has been in difficulties for two years.

The meeting was overshadowed by Monday's bomb attacks in Paris and Cologne. Although security measures at the French Prime Minister's official residence, the Hotel Matignon, last night were not visibly tightened, Mr Chirac said a virtual state of war existed over terrorism.

However, neither leader gave any information on what measures could arise from the forthcoming interior ministers' meeting.

Money supply rises

Continued from Page 1

three months two-thirds of loans made by clearing banks have been to individuals, with home loans rising by £1.5bn

This surge in consumer credit has given rise to fears that it could seep into additional consumption and fuel a renewed rise in prices. At the moment, however, it appears that the personal sector has been building up its liquidity in deposit accounts at the same time as it is borrowing more.

Mr Giles Keating, economist at Credit Suisse First Boston, said: "The savings ratio is, if anything rising, so this credit is not shooting through to spending. It is being channelled through the housing market to predominantly older people who are building up their stocks of money in banks and building societies in anticipation of falling interest rates."

The Government's own finances resulted in a fall in sterling M3 in banking August, with a public sector borrowing requirement of £1.5bn offset by debt sales to the private sector of £1.5bn

Other counterparts to monetary growth, including the banks' external and foreign currency transactions and net non-deposit liabilities, such as rights issues by banks, were reflected in a contraction in sterling M3 of £200m.

Surprise backer in Guinness chief row

BY CHARLES BATCHELOR IN LONDON

MR ROBERT MAXWELL, chairman of the British Printing & Communication Corporation, intervened dramatically last night in the growing row over the management structure at Guinness to back Mr Ernest Saunders, the UK brewing group's embattled chairman and chief executive.

The Guinness controversy is expected to come to a head at an extraordinary shareholders' meeting in London tomorrow at which Mr Saunders will seek approval for his plans.

Mr Maxwell's surprise intervention came on a day when the Co-operative Insurance Society (CIS), a major Guinness shareholder, said it would not back Mr Saunders and a third Scottish local authority said it would also vote against him and his fellow directors.

The Guinness board has come under growing pressure over the past seven weeks after it reneged on commitments made during its successful £2.5m ($3.7bn) acquisition of Distillers, the Scottish drinks concern.

Guinness first said it would set up a group board to be chaired by Sir Thomas Risk, governor of the Bank of Scotland. It subsequently presented a revised board structure with four new non-executive directors but with Mr Saunders still in the chair.

Mr Maxwell issued a statement saying that while the decision to drop Sir Thomas looked bad, it was not in the interests of the company, its workers or shareholders that he should be chairman.

"The real boss would always have been Mr Saunders," said Mr Maxwell, who revealed that companies and pension funds with which he was associated own 4.5m Guinness shares, or about 0.5 per cent.

"The company would have been a house divided. There cannot be two commanders during the reconstruction and reorganisation period."

Mr Maxwell did, however, urge Mr Saunders to abide by his pledge to move the head office of the company to Edinburgh.

"He (Mr Saunders) has justification for breaking one promise. Any further breach of the conditions on which the sale of Distillers was made would be intolerable. But Riskless Guinness is good for you," he said.

The Manchester-based CIS, which owns 8.5m Guinness shares, said it would vote against the Guinness board because it did not feel there had been the kind of radical change in circumstances to justify a departure from the board structure proposed in the takeover document.

In a separate move, the Central Regional Council in Scotland said it would be voting against the Guinness board proposals.

World Weather

		°C	°F
Ajaccio	F	25	77
Algiers	-	—	—
Amsterdam	S	15	59
Athens	S	28	82
Bahrain	S	37	99
Bangkok	C	30	86
Barcelona	T	22	72
Beirut	-	—	—
Belfast	S	13	55
Belgrade	S	27	81
Berlin	S	15	59
Biarritz	F	21	70
Bombay	F	30	86
Bordeaux	S	22	72
Brussels	F	13	55
Budapest	F	24	75
B. Aires	S	27	81
Cairo	F	31	88
Cape Town	S	18	66
Caracas	R	26	79
Casablanca	-	—	—
Chicago	C	23	73
Cologne	F	14	57
Copenhagen	F	14	57
Corfu	-	—	—
Dallas	S	21	70
Dublin	F	15	59

		°C	°F
Dubrovnik	S	24	75
Edinburgh	C	15	59
Faro	C	22	72
Florence	F	27	81
Frankfurt	S	15	59
Funchal	-	—	—
Geneva	C	17	63
Gibraltar	S	27	81
Glasgow	F	13	55
Guernsey	S	14	57
Helsinki	F	12	54
H. Kong	F	30	86
Innsbruck	R	14	57
Inverness	F	11	52
Islamabad	C	35	95
Istanbul	F	27	81
Jakarta	R	31	88
Jersey	S	16	61
Jo'burg	S	22	72
Lima	C	19	66
Lisbon	C	22	72
London	F	14	57
Los Angeles	C	18	64
Luxembourg	S	13	55
Madrid	F	24	75
Majorca	F	26	79
Malaga	S	14	57

		°C	°F
Malta	F	27	81
Manchester	S	14	57
Manila	S	33	91
Melbourne	C	13	55
Mexico City	C	25	77
Miami	F	24	75
Milan	-	—	—
Montreal	F	15	59
Moscow	F	16	61
Munich	C	12	54
Nairobi	F	27	81
Naples	S	26	79
Nassau	F	34	93
New Delhi	S	35	95
New York	S	15	59
Nice	C	21	70
Nicosia	S	34	93
Oporto	C	19	66
Oslo	F	13	55
Paris	S	16	61
Peking	F	25	77
Prague	F	13	55
Reykjavik	S	8	46

		°C	°F
Rhodes	-	—	—
Rio de J'o	F	28	82
Rome	F	27	81
Salzburg	R	13	55
San Francisco	F	12	54
Seoul	F	26	79
Singapore	F	30	86
Stockholm	F	13	55
Strasbourg	C	16	61
Sydney	S	16	61
Taipei	F	34	93
Tangier	-	—	—
Tel Aviv	C	29	84
Tenerife	S	25	77
Tokyo	C	27	81
Toronto	F	11	52
Tunis	-	—	—
Valencia	R	26	79
Venice	-	—	—
Vienna	F	19	66
Warsaw	C	17	63
Washington	-	—	—
Zurich	C	16	61

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

GM to axe British trucks

Continued from Page 1

cess of its own business in the UK, how could it have expected to make a success of Leyland? It proves we were right to object to GM getting its hands on Leyland.

"You don't see Mercedes and Volvo going out of business. They are in there to win and it means you have to stay when the going gets tough, not quit."

Mr Jim Thomas, national organiser of Tass, the white-collar union, said "this means the virtual end of Bedford trucks and shows how thousands of UK jobs can be lost at the stroke of a pen in Detroit."

A foretaste of the political row which is bound to follow GM's decision came yesterday when the Conservative MP for Luton North, Mr John Carlisle, said he was "shattered" by the news and insisted "the blame lies directly at the door of Mr John Smith, the Labour opposition spokesman on Trade and Industry, whose relentless campaign to persuade the Government against the GM Leyland merger has resulted in the decimation of the truck industry of this country."

In 1969 Bedford produced a record 71,500 medium and heavy duty trucks. By 1980 the total was down to 37,000 and last year it fell to 14,500. This put it on a par with Western Europe's smaller truck producers, Leyland in the UK, MAN in West Germany and Daf in Holland and left it well behind Daimler-Benz, the Mercedes group, which had an output of around 75,000, Iveco, the Fiat subsidiary, about 44,000, Renault, 35,000, Volvo, 32,000 and Scania, 22,000.

Mr Tosch said GM had taken "successive measures to rationalise truck production, reduce costs and improve Bedford sales volume" but Bedford continued to suffer from "the significant downturn in world demand between 1980 and 1985, overcapacity in Europe, intense competitive activity and lost volume in Bedford's traditionally strong Third World markets."

GM has been searching for potential European partners for Bedford. Apart from Leyland it came close to buying MAN, West Germany's second-largest heavy truck group, and approached Renault, the state-owned French group

JOBS

The acid test of entrepreneurial mettle

BY MICHAEL DIXON

A GOOD test of people's entrepreneurial talents is probably how they react when they hear of a thriving business scheme devised by somebody else.

For instance on such occasions many, if not most of us, tend to say to ourselves "What a simple idea. Why didn't I think of it?" People who react like that seem unlikely to possess much entrepreneurial ability. For those who really have what it takes to generate jobs through making money know there is nothing simple about creating a successful business venture no matter how straightforward it may look once it has been brought into being.

An apt illustration is provided by a newly signed international deal whose most noticeable effect will be to enable people in India to buy the machinery and operating licences to set up booths in which their fellow citizens can automatically take photographs of themselves.

Readers in the numerous countries where such booths are now commonplace might well imagine that any fool could think of transplanting them into India. In fact, however, the originators of the project spent a long time cudgling their brains before that supposedly obvious idea ever occurred to them.

The story behind the deal starts in the Indian hill town of Oota Ramund. Besides claiming to be the birthplace of the game of snooker it houses the country's principal company producing photograph films. The trouble is that the plant has a capacity for producing the photographic material far in excess of India's capacity to consume it.

The problem of making the plant economic defeated a long succession of highly ranked people. Then relatively recently the prime responsibility was passed to a senior government official whose previous tasks had included selecting people to go to Britain to take the master's degree programme in management at Leeds University.

It is an unusual programme. At any one time it has about 35 students with an average age between 38 and 40. Most come from poor countries and are subsidised by United Kingdom taxpayers, through agencies such as the British Council.

"The rationale is that we'll take in people who'll go home to work in influential positions with a preference for using UK equipment," said Dr Jack Butterworth, professor of management at Leeds: "It doesn't always work out that way but I'm pretty sure Britain does better than break even on the subsidies."

All the students are required to arrive bearing a problem assigned to them by their employers which forms a focus for their studies. And since this aspect of the programme was known to the Indian official saddled with responsibility for the ailing film plant one of its rising managers was sent as a student to Leeds under orders to bring back a cure.

He concluded, with the help of fellow students as well as the university programme's tutors, that the best prospect lay in generating increased demand. But it was not until a good while later that the roaring trade done by the Photo-Me booth in the Leeds students' union inspired the idea of setting up similar facilities in India. Whereupon Prof Butterworth lent a hand by asking the managing director of Photo-Me International, David Miller, if his company would be interested in a deal.

"The idea of putting booths in India wasn't new," Mr Miller said. "We'd previously had occasional approaches from individuals there wanting to set up on a small scale, and we'd resisted them. The company wouldn't gain much more from scattering a few machines around such a huge country than it would get from putting them on the moon.

"But in this case the prospect was evidently much bigger because a state agency was behind the inquiry. So when Jack Butterworth said he'd help all he could I decided to follow it up personally."

He found that Indian government officials were strongly interested in making a deal. To them it promised more than revival for a failing state-owned company. Their own working lives were frequently complicated by the tendency of large numbers of citizens to adopt false identities for such purposes of making spurious claims to ownership of land and cheating in examinations.

Fraud Deterrent

While requiring the claimants and exam entrants to produce photographic identification would be a useful counter measure it was blocked by lack of readily available and cheap enough means for most of the country's people to obtain the necessary photographs. So the wholesale import of booths offered a solution to a long-standing administrative problem.

"But I had to make a long series of visits for detailed discussions, often in company with Jack," Mr Miller added. "And it turned out to be just as well that I did the negotiating myself. Although government officials can't themselves make quick decisions a company won't get far with them unless its representative is senior enough to decide what's necessary on the spot.

"I didn't find it easy to convince my own board. A key issue was that the Oota Ramund plant would supply the film for the booths installed in India and my fellow directors were anxious about quality control. It took patience, but the longer discussions went on the more interesting the prospects seemed. Even a development that first looked like a serious snag turned into an additional opportunity."

That particular crisis was the realisation that making the film for any conceivable number of booths likely to be set up by business people in India, even with government assistance, would still leave the Oota Ramund plant with much unused capacity.

"We dealt with that by agreeing that, if the plant could achieve the right quality of film at an acceptable price, our company would take what it could not sell on its home market for use in operations elsewhere," Mr Miller said.

A further problem arose when the Indian professional photographers' lobby started protesting against the scheme. One of the officials countered with an offer that nobody could refuse. He proposed that the booths in India should not be fully automatic. Each one would provide employment for a disabled person who would supervise it, take the money and press the button.

"That taught me another lesson," David Miller explained. "If you want to make deals at government level you can't think just in terms of business. You have to think politically.

"All in all, the whole exercise has turned out better than expected for everyone concerned. Jack Butterworth has done well from it too. He has persuaded both sides to put up funds for a joint development programme involving business training centred on Leeds University as well as research and technical work."

The only complaint Mr Miller and Prof Butterworth seemed to have is about the wording the Indian government used in announcing the scheme to potential booth buyers. It published advertisements headed by the slogan "Here's how to click your way to profits without really trying."

"The advertisements certainly did their job by pulling in an immediate response from over 3,500 eager applicants," the professor said. "But the bit about without really trying was insensitive to say the least."

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A pre-eminent US Investment Bank which is currently expanding its global presence and role in London has a high profile career opportunity available for a professional with a proven record of achievement in his/her career to date. This individual would be responsible for the development and maintenance of banking relationships throughout the City and Europe.

The ideal candidate will have a minimum of 5 years relevant banking experience. The individual will be keen to join an organisation which offers a dynamic working environment and compensates business achievements accordingly. In addition, strong communication skills and a commitment to career expansion should be demonstrated.

If you feel that you have the necessary qualities and would like to discuss this position, please telephone **Graham Palfery-Smith** on **01-629 4463** (or **01-697 6811** after 8pm.) or write, enclosing a full career history, quoting **GJPS 360** to the address below.

HARRISON & WILLIS LIMITED, CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD. TELEPHONE: 01-629 4463.

Financial Controller

City £35,000 - £40,000 + Car + Bonus

Our client is a new international partnership being set up to become a major force in Foreign Exchange Broking.

They view as a key member of their management team the position of Financial Controller. The successful applicant will be an ACA with good knowledge of corporate and personal taxation in both the U.K. and U.S. It is likely that this person will have had several years post qualification experience with a financial institution and have had exposure to multi-currency accounting. Indicated age range 32-40 years.

Responsibilities will include setting up and running systems to minimise tax liabilities, producing management information reports, statutory accounting and overall control of all the support staff.

Those interested, with the right qualifications and experience, should write with full c.v. to Tom Kerrigan at Tom Kerrigan Associates, 20 Wormwood Street, London EC2M 1RQ.

TOM KERRIGAN ASSOCIATES LTD
RECRUITMENT CONSULTANTS

Operations Directors

Investment Banking Group

£75–100,000 + substantial benefits

Occupying a strong and central position in the world's financial markets, our client is one of the City of London's leading investment banking groups. The bank now wishes to strengthen its management team through the recruitment of Operations Directors for two of its main trading businesses.

The Operations Directors will play a major part in the integration, control and development of the respective businesses. Responsible for all aspects of the financial and administration functions of the companies, they will work closely with senior management at both business and group level.

Each position will have increasing international content and a major impact upon profitability and will require considerable interpersonal and technical skill.

Applicants should be graduate qualified accountants with an impressive career record. Experience of the international securities industry is considered essential and must include both line management and systems development expertise.

Please write in confidence, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/481/WF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Credit and Risk Management

Investment Banking

c£40,000 + substantial benefits

Part of a major banking group, our client is a highly respected investment bank which is expanding rapidly throughout its trading operations, both in the UK and internationally.

In a key position, the Head of Credit and Risk will manage 25 staff and have responsibility for the identification, control and monitoring of credit policy across the various business groups and products. Reviewing product policy and determining the risk implications of new products and new trading relationships in this fast changing environment, he or she will necessarily work closely with senior management at operation, company and group level. With a strong practical bias this director level position has enormous potential.

Applicants should ideally have a broad range of credit and risk management experience, related to debt and equity securities, gained in an international investment bank. Strong interpersonal skills are essential.

Please write in confidence, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/487/WR.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

COMPANY SECRETARY

(Designate)

Retailing is one of the fastest-moving businesses in the world: its demands are considerable. A group of companies within the Sears organisation, one of the world's largest retailers, is now looking for a Company Secretary designate to replace the present incumbent who will be retiring in two years' time. The group includes such well known names as Selfridges, Lewis's, Wallis and Miss Selfridge and is amongst the most successful retail organisations in the UK today.

Besides the usual legal and statutory matters, the Company Secretary is responsible for insurance, property leases, copyrights and trade marks, and is also involved with Pension Schemes and Agreements with various concessionaires.

The successful candidate will be an experienced negotiator and a good manager, possessing sound business acumen combined with a sense of urgency, which is such a feature of the successful retailer. Candidates should be over 30 years of age, legally qualified and should have commercial experience, preferably with a large retail group.

The position is based at Selfridges, Oxford Street. The scope and seniority of this position will be reflected in an appropriate remuneration package.

Please apply to Mr T Williams, Company Secretary, Selfridges Limited, 400 Oxford Street, London W1A 1AB.

Selfridges

THERE'S NO PLACE LIKE IT.

Equity Trading

-INTERNATIONALLY

—for the career-minded

You are probably in your mid- to late-twenties (perhaps even a little more mature)—

You have a successful track record in the equity business (with at least three years' experience)—

You have now reached a stage where you feel that your untapped reserves should be put to use in a more rewarding and sophisticated environment.

As the institutional investment management arm of one of the world's major corporate banks, we are certain that we can satisfy that need, for we are seeking someone with your experience and career objectives to join a small, élite team within our Securities Trading Department. Here you will have a first-class opportunity to develop your skills in *International Trading* in a newly-equipped, high-quality trading room.

The starting salary will be more than competitive, and 'large bank' benefits include mortgage subsidy facilities, profit-sharing bonus, non-contributory pension and life assurance schemes, free medical insurance and a subsidised restaurant.

Please send your complete c.v. to Mary Thom, Personnel Manager, J.P. Morgan Investment Management Inc., 83 Pall Mall, London SW1Y 5ES.

J.P. Morgan Investment

FUND MANAGER

CLEARING BANK

up to £25,000

Our client is one of the U.K.'s leading clearing banks with a significant record of continuing growth.

At this stage of its development, it is seeking a Fund Manager to join its treasury team. This executive, reporting to the Treasurer, will be responsible for managing the bank's investment and trading in longer term instruments, in particular gilts and local authority bonds and also in corporate and Euro sterling bond markets. He/she will manage the bank's long term interest rate exposures, developing operations in swaps, options and futures markets.

This position offers an exciting challenge and good opportunities for expanding investment experience and career prospects in an environment with significant portfolios and new I.B.M. treasury systems.

Candidates for this position should be professionally qualified and have five years experience in fixed rate markets. He/she must have good people skills and positive self projection. The preferred age is mid-twenties to mid-thirties.

Please send full career details, in confidence, to

Graham Lindsay
Personnel Search (Selection Consultants)
Norfolk House
31 St James's Square
LONDON SW1Y 4JL

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

FOREIGN EXCHANGE DEALERS

SPOT **c£20,000**
One of the new wave of Australian State Banks requires an experienced spot dealer to trade major currencies. Age 20/25.

FORWARD **to £30,000**
Major European bank wants a minimum of 2 years relative experience for a set-up situation to trade £/$. Age 25/30.

SPOT **to £30,000**
Swiss bank enjoying a good name in the markets is seeking a spot £/$ trader. Age 25/30.

FORWARD **c£25,000**
New position through early growth in an Australian bank will bring the number of dealers to 5. Age 20/25. Opportunity to trade Forward Aussie.

CORPORATE **c£20,000**
To assist the Senior Corporate Dealer build up the business with a Swiss bank. A graduate well versed in corporate dealing is preferred. Age 25/30.

Please contact Brenda Shepherd or Paul Trumble.

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

Chief Dealer

My client, a prestigious international bank is currently undergoing a degree of reorganisation and subsequent strengthening in the dealing area. To this extent they require a chief fx dealer with a heavy bias towards spot trading. Candidates should be in their late 20's to late 30's and have gained a solid dealing background with active and aggressive dealing rooms and have specialised in trading the major Euro currencies. Salary c£40,000 + bonus + benefits.

Spot Dealers

Several of our clients, including major European and US banks, seek spot dealers who are active in the market. Currencies to be traded include Cable, $/DM, $/Franc, $/Yen or any other major currency. Ideally candidates should be in their early twenties with a good trading background together with an aggressive approach. Remuneration level is totally negotiable, according to age and experience.

Options Trader

A US investment bank, are seeking to expand their currency option team. Candidates ideally should have a foreign exchange background and be interested in developing their career in the options area. This position has very good prospects for a bright, ambitious person. Salary negotiable.

FX Dealer

Our client, a European bank established in the City, seek a foreign exchange dealer. Applicants should have experience in the spot and forward markets trading all currencies, as well as the money markets. Ideally aged between 20s and 30s, salary level will be £23-25,000 + benefits.

Roger Parker Organisation
65, London Wall
London EC2 5TU
01-588 2580

FX, TREASURY AND CAPITAL MARKETS RECRUITMENT SPECIALISTS

ASSISTANT COMPANY SECRETARY

Thames Valley **£20,000-£22,000 + car**

The quoted holding company of an expanding international British group with global sales in excess of £200m in technologically-advanced industrial materials seeks an Assistant Company Secretary.

Aged 28-36, the successful candidate will have a good degree in English law, will preferably have qualified as a solicitor or barrister or ACIS and will have worked for at least two years in the company secretariat of a public limited company. He/she will be responsible to the Company Secretary for day-to-day secretariat operations and for administration of the office premises and will have the opportunity to contribute in an important phase of company development. It is anticipated that the successful applicant would in due course succeed the current Company Secretary.

Applications, including a full curriculum vitae, should be sent to our advisers:

WRIGHTSON WOOD LIMITED
11 Grosvenor Place, London SW1X 7HH

Jonathan Wren

BUSINESS/ACCOUNTING/ SYSTEMS ANALYSTS

£neg aae

A major US bank is replacing its present accounting and associated international banking systems with PRIME hardware, PRIMOS software and CPL information equipment. Applications are therefore sought from ambitious individuals ('A' levels or graduates), aged 24 to 34 years with excellent communication skills. Candidates must be able to clearly demonstrate comprehensive programming analysis, testing and systems implementation experience, preferably utilising the above equipment, gained with a major bank. The FINANCIAL ANALYST position calls for management accounting, banking operations knowledge and ideally Lotus 1 2 3 experience.

The BUSINESS ANALYST position requires an individual with proven team leadership skills as the encumbent will assume deputy head of department, design and analysis responsibilities. Contact Brian Gooch.

SOLICITOR

£neg

A British bank, whose flotation on an overseas stock exchange is projected, seek a solicitor with 2 years post qualification experience. Initially, the position will have a strong company secretarial bias, although the prospect of moving into corporate finance or lending is envisaged within a 2 year period. A positive character, an enquiring mind and good communication skills are pre-requisite. Contact Richard Meredith.

SECURITIES SETTLEMENTS SUPERVISOR

c£25,000

A recently established North American financial institution, with a strong presence in the international securities market, now plans to recruit an experienced individual to assist in the consolidation of its securities operation in London.

They seek a mature individual with a wealth of knowledge of all aspects of UK and international securities, to include all settlement procedures in the major securities markets. Proven man-management skills and the ability to motivate staff are important factors as is the distribution and control of workflow. Only those applicants who are willing to totally commit themselves to their work need apply. Contact Richard Meredith.

All applications will be treated in strict confidence.

SYDNEY **Jonathan Wren** HONG KONG

Recruitment Consultants

170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266

CREDITANSTALT-BANKVEREIN
London Branch

Business Development - Asia & Australasia

The London Branch of Austria's leading Bank is seeking to recruit an additional member for its Asia and Australasia Section.

The Bank specialises in arranging high value added transactions which are normally acquisition-led, tax-driven, or have a strong swap or capital market flavour.

Ideally, candidates will probably be in their late twenties, graduates or professionally qualified, with sound credit skills and extensive lending experience. They will now be looking to move to an environment which is strongly merchant/investment banking orientated but one in which their strong commercial banking skills will be utilised to the fullest extent.

Although London-based, the job will involve significant overseas travel in the Asia and Australasia region for the right candidate in the medium term.

A competitive salary is offered plus all usual banking benefits. Please apply, with full c.v.,in confidence, to Richard Barker, Senior Manager-Personnel, Creditanstalt-Bankverein, 29 Gresham Street, London EC2V 7AH.

CREDITANSTALT

UK equity traders

Smith New Court PLC is the securities group created through the merger of Smith Bros PLC and Scott Goff Layton & Co., and is the only independent market maker in the securities industry.

We now seek to expand our team of traders, and therefore wish to recruit experienced UK equity dealers.

Applicants should have broad experience in equity trading, be able to judge opportunities and risks in the UK equities market and act decisively and independently.

The remuneration package is highly competitive, and will reflect the experience and potential of the successful applicant.

Please write, enclosing your CV, to Bernard Brown, Administrative Director, Smith New Court PLC, Chetwynd House, 24 St Swithin's Lane, London EC4N 8AT.
Please quote FT 10/9.
All applications will be treated in strictest confidence.

SMITH NEW COURT PLC

MEMBERS OF THE STOCK EXCHANGE

ELECTRICAL CONTRACTORS' ASSOCIATION

Security Professional
(Intruder Alarm Systems)

An experienced, commercially aware, executive with a detailed knowledge of the Intruder Alarm installation industry in the United Kingdom is required to work in the newly formed "Security Group" of the Technical Services Department. Technical knowledge is important, but secondary to business experience.

As the successful candidate will represent the industry at formal meetings, good personal presentation is needed, together with good communicative skills.

The Electrical Contractors' Association represents the interests of over 2,000 member-companies, who carry out the majority of all electrical installation work in England, Wales and N. Ireland. It is one of the most sophisticated trade associations in the country and has an enviable history of innovation since its formation at the turn of the century.

The role of the Technical Services Department of the Association is vital, not only to the member-firms, but also to the whole industry. The department services the technical information requirements of members, promotes technical excellence in the industry, and represents members' interests in the setting of Standards and Regulations nationally and internationally.

Based in central London, the position offers a five-figure salary and excellent conditions of employment. Age is not important, because a range of experience is being sought in the applicants.

Replies (marked "Personal") to:
Director of Technical Services,
Electrical Contractors' Association,
34 Palace Court, Bayswater, London W2 4HY

EXECUTIVE JOB SEARCH

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The Executive Job Search Professionals

Deputy Treasurer

Capital Markets

West End of London £25,000–£30,000 + car

Our client is the parent company of a leading natural resources group based in London but with world-wide interests.

The need has arisen for a Deputy Treasurer (Capital Markets) who will be responsible for the Company's relationships with investment banks and for the Company's capital market involvement. The job will also entail interest rate and exchange rate management and optimising the Company's financing structure.

The job would suit a graduate, probably in the 30-40 age range. A MBA would be an advantage and membership of the Association of Corporate Treasurers is desirable. Experience of the corporate treasury function is essential, gained either in a major company or in a commercial or investment bank.

The salary package will include excellent life assurance and pension schemes. *The Company also operates a share option scheme.*

Confidential Reply Service: Please write with full CV quoting reference 2058/PH on your envelope, listing separately any company to whom you do not wish your details to be sent. CV's will be forwarded directly to our client, who will conduct the interviews. Charles Barker Recruitment Limited, 30 Farringdon Street, London EC4A 4EA.

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Leading US Investment Bank. A key link between the origination side *and the syndicate, swaps and sales/trading function. Good overall* exposure needed.

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Prime Japanese Securities House seeks an accomplished individual to take full responsibility for Eurobond Sales & Trading.

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Leading US Investment Bank looking for experienced Yen Bond Trader. Additional sales people needed in Tokyo and Hong Kong.

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Europe
US Securities House looking for additional banker with 3/4 years experience in equity/debt related transactions. Languages an advantage.

For further details please write or telephone in strictest confidence quoting ref: NJAP to:-

Rochester Recruitment Limited
22A College Hill
London EC4R 2RP
Telephone:
01-248 8346

BROWN SHIPLEY HOLDINGS p.l.c.

COMPANY SECRETARY

Brown Shipley Holdings p.l.c. now wish to recruit a successor to the present Company Secretary who is due to retire shortly.

The Company Secretary is responsible for all the usual company secretarial functions throughout the Brown Shipley Group, in particular those relating to a public listed company, as well as for certain aspects of group administration including the control of group assets, insurances and pension schemes.

The ideal candidate will be 35-40 with a professional legal or company secretarial qualification.

Experience in the company secretarial department of a public company in the City would be an advantage but is not essential.

The remuneration package will include an attractive starting salary together with a competitive range of other benefits.

Please apply in writing to:
Head of Group Personnel & Administration,
BROWN SHIPLEY HOLDINGS p.l.c.,
Founders Court, Lothbury,
London EC2R 7HE.

UNDERWRITER
MORTGAGE/UNSECURED LENDING

An excellent opportunity for the ambitious Advances Executive to capitalise on experience by moving to our client, a Major US Banking Group. The post involves the analysis of proposals regarding secured and unsecured loan applications and consequent recommendations for action. Candidates will have at least 5 years lending experience of which our clients would expect to find three years credit analysis, preferably connected to consumer lending (both Small and Big ticket) and some knowledge of automated mortgage processing systems. Experience of the US Banking environment would be an advantage but by no means essential. A comprehensive benefits package, consistent with the banking world can be offered and the salary will be commensurate with a post of this level. Age: c 25.

For further details and first interview please contact:

ROBERT MILNE

on the telephone number below or write enclosing full CV

Crawford Recruitment Services Limited
Walmar House, 288 Regent Street, London W1R 5HE 01-631 5045

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Contact A. F. Norman-Butler, Partner, Vivian Gray & Co.
Ling House, 10-13 Dominion Street, London EC2M 2UX
Telephone: 01-638 2888

VIVIAN GRAY

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£20,000

If you have at least 18 months' experience of marketing to large corporate clients then this major European Bank can offer you an excellent opportunity to enhance your career path. They need additional officers to strengthen their successful team and assist with the maintenance of their existing portfolios while concentrating on the development of new business. Candidates should be aged between 25 and 30 with previous experience of credit analysis.

For further details, please call Sandie Robinson

Portman Recruitment Services Limited
Tel: 01-236 1113

SALES AND MARKETING DIRECTOR

£50,000 (SALARY, CAR, BONUS)

HERE COMES PARADISE!!

THE CASS LONDON MUSIC SHOW

A multi-million pound worldwide entertainment project that features, for the first time ever, a unique talent search for MR ROCK MUSIC, MISS ROCK MUSIC, MR SOUL MUSIC, MISS SOUL MUSIC, MR REGGAE MUSIC, MISS REGGAE MUSIC, to be launched in the early autumn of 1986 in London. The show will be staged in the following places: Europe, North America, South America and the Caribbean, Africa, Asia, Japan, and Australia. The Grand Finals will be held in the Eastern Caribbean in late 1987/early 1988.

As the SALES AND MARKETING DIRECTOR, you will be expected to be aged 25-40. Well educated, shrewd, sharp, aggressive and honest, you will "wheel and deal," dine, and meet the most professional people in the show business industry. Experience in media, broadcasting, and the entertainment industry is paramount.

Write in total confidence with your CV (including day time telephone number) to: THE DIRECTOR, THE CASS LONDON MUSIC SHOW

FOREIGN EXCHANGE ASSISTANT DEALER

A major Securities House seeks a high flying Graduate to become an Assistant Dealer in their rapidly growing Foreign Exchange Department. This position would suit someone who has undertaken a Graduate trainee programme with a major City institution or equally a trainee Chartered Accountant wishing to make a change of direction.

A quick thinking individual who thrives in a pressurised environment and seeks the opportunity to progress will be given full training and a competitive salary and benefits package. Age early 20s.

Please contact Clare Hudson in strict confidence on 01-437 2581 or write enclosing a CV to: MacBlain Nash Banking, (Recruitment Consultants), Carrington House, 130 Regent Street, London W1R 5FE.

MacBlain Nash BANKING

INVESTMENT MANAGER DIRECTOR DESIGNATE

to take full charge of setting up and running the investment arm of an established financial planning practice. Responsibilities will include client reviews and discretionary management. The successful candidate will have a broad experience in Equities, Gilts, Unit Trust and Bond management and may currently be managing an existing client portfolio.

As this is a top position, a top remuneration package will be negotiated to include full profit share.

We are a private company based in Poole, Dorset, with a high professional reputation in the financial services industry, now gearing up for the full implications of the Financial Services Bill. We are members of FIMBRA.

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CORPORATE PLANNING LIMITED
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London subsidiary of International Financial Group seeks

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responsible for credit policy, credit assessment and liaison with Head Office credit committee. Extensive knowledge of the international financial market and international financial companies essential.

Experience of in-depth analysis of the UK, US and Australasian financial and associated groups is also required.

Package around £30,000.

Please reply in writing to Box A0260 Financial Times 10 Cannon Street London EC4P 4BY

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For candidates of the highest calibre who can work as part of a team, opportunities still exist to join a highly motivated organisation. In particular, we are looking for Junior and Senior Techical Analysts with experience in the financial futures and options fields.

Candidates exhibiting the necessary combination of expertise, dynamism and flair can expect a competitive package—plus the opportunity to work with one of the front runners in the market of the future.

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London EC4P 4EL
Telephone 01-248 2244

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WEST MIDLANDS ENTERPRISE BOARD LIMITED

Venture and Development Capital
Investment Executive
Circa £17,000

The West Midlands Enterprise Board is a regional development agency providing investment finance, training, technical advice and other facilities for expanding businesses in the West Midlands region.

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The Board wishes to recruit a new Investment Executive, to work on his/her own initiative, as a member of a team of six executives, reporting to the Deputy Chief Executive—Investment.

The new executive will be responsible for appraising investment proposals coming to the Board, negotiating appropriate financial packages, making recommendations on new investments to the Directors of the Board, and supervising legal implementation of approved investments. He/she will also have responsibility for post-investment management of part of the total portfolio.

In addition to a university degree or professional accountancy qualification candidates will be expected to have at least 2/3 years' industrial, merchant banking, venture capital, or post-qualification professional experience. Sound judgment of people and commercial opportunities is an essential quality for the work, also a keen interest in assisting the successful development of business through an interventionist and publicly accountable development agency.

The Board has an attractive pension scheme and car loan package, and can offer assistance with re-location expenses to appropriate candidates.

Please write with full curriculum vitae, explaining how your experience and qualifications match the job requirement, to:

The Chief Executive
WEST MIDLANDS ENTERPRISE BOARD LIMITED
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Birmingham B2 5TJ
WMEB is an equal opportunities employer.

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EURORATINGS LIMITED,
6 JOHN STREET,
LONDON WC1N 2ES

UNIVERSITY OF MANCHESTER
MANCHESTER BUSINESS SCHOOL
FELLOWSHIP/SENIOR FELLOWSHIP IN MARKETING/STRATEGIC MANAGEMENT

Applications are invited for the above post from suitably qualified candidates. Further particulars and application forms (returnable by October 10th) from the Registrar, The University, Manchester M13 9PL. Quote Ref: 216/86/FT. Salary for the Fellowship within range £8,020 to £12,780 p.a. or £12,280 to £15,700 p.a.; for Senior Fellowship £14,870 to £18,625 p.a. The appointment is initially for a period of four years.

REDUNDANT SALES Managers and Executives contact Michael Green on 01-683 6484.

CORPORATE BANKING CONSULTANCY

D. C. Gardner & Co. Ltd., with two offices in London and a third in Amsterdam, are a leading corporate banking consulting firm. As part of the continuing expansion of the firm, which includes further international offices, we are now seeking several additional consultants to specialise, initially, on senior-level corporate banking training assignments. The assignments will be both within the UK and overseas.

Candidates will be experienced account officer/relationship managers working for international and/or merchant banks. Familiarity with recent capital market innovations is essential, as is the ability to communicate effectively at varying levels of seniority within our clients.

Attractive remuneration packages are available to the right candidates.

Please write, enclosing a detailed curriculum vitae, to:

Mark Allsup, Director
D. C. GARDNER & CO. LTD.
8-9 New Street, LondonEC2M 4TP
Telephone: 01-283 7962

INTERNATIONAL FIXED INTEREST PORTFOLIO MANAGER

A major European Bank requires an experienced Fund Manager to take charge of and develop the International Fixed Interest Portfolio Management Service for the Private Client Department in London.

Package worth £40,000
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Imperial Cancer Research Fund

Patenting Company

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(Part-time)

The ICRF is a leading cancer research institute of international repute with a scientific establishment of 800.

To meet the new opportunities in biotechnology and related fields we are expanding the role of our Patent Company. This new post, (part-time two or three days a week), will advise the Board on all financial matters and be responsible for the day-to-day financial systems and procedures.

Age probably not less than 45 but may suit person returning to work or recently retired. Practical experience of financial management and company law essential.

Salary range: (two days) £7,600-£10,000; (three days) £11,400-£15,000.

For further information and application form please write or telephone:

Ms S. M. Hurley
Imperial Cancer Research Fund
Lincoln's Inn Fields, London WC2
on 01-242 0200 ext. 2357
quoting ref: 144/86

Head of Funding City

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Our client, an expanding International Merchant Bank, is seeking a mature and energetic person to be Assistant Manager, responsible for funding. The ideal candidate should be in his/her 30s with a background in FX, deposits, futures and several years' supervisory experience. The successful candidate will be offered an excellent remuneration package.

For further details please contact:
Mark Hawkins on 01-236 8192
JAC RECRUITMENT
21 College Hill
London EC4R 2RJ

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The Financial Times has arranged with the Institute of Chartered Accountants to publish a list of those candidates who were successful in the recent Part II examinations. We propose to publish the list in our issue of Thursday, September 25, which will also contain several pages of advertisements under the heading of "Newly Qualified Accountancy Appointments." The advertising rate will be £41.00 per singe column centimetre. Special positions are available by arrangement at premium rates of £49.00 per scc.

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and entries in the Guide will be charged at £60.00 which will include company name, address and telephone number.

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FINANCIAL TIMES

Europe's Business Newspaper

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday September 10 1986

Volker hit by weaker currency

By Laura Raun in Amsterdam

VOLKER STEVIN, the Dutch construction and dredging company, reported that weaker currencies kept net income disappointingly flat at Fl 2m ($855,000) for the first half compared with the same period of 1985.

The sharp fall in currencies important for Volker Stevin, such as the dollar, prevented earnings from rising as forecast. Profits for all 1986 now are expected to remain at about the same level as 1985 – Fl 13m.

Turnover based on production slipped 3 per cent to Fl 846m from Fl 875m due to stagnating business in the Netherlands. For the whole of 1986, turnover is expected to fall about 5 per cent because of declining investments in the oil and gas industry, where Volker Stevin engages in dredging and building offshore structures.

Volker Stevin, based in Rotterdam, operates around the world and has run into some payment problems from debt-troubled countries such as Nigeria.

● Hollandsche Beton Groep (HBG), the Dutch construction and dredging company, posted unchanged earnings of Fl 22m ($9.1m) for the first half compared with a year earlier and predicted that full-year profits would also be more or less flat at Fl 57m.

Falling oil prices have sharply curtailed activity and investment in the offshore industry, where HBG is involved in construction, exploration and drilling. Persistent worldwide overcapacity in the dredging industry has eroded profit margins in HBG's dredging operations.

Partek acquisition

PARTEK of Finland has acquired effective control of Rockwool of Sweden. In yesterday's edition, the company's name was wrongly spelt as Rockwell.

Montedison to raise $532m to finance La Fondiaria deal

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals group, is to raise US$532m to finance its recent purchase of a key share in La Fondiaria, the Florence insurer. The move is seen as part of Montedison's determination to fight off a challenge by Italy's financial establishment.

The rights issue, to be channeled through Meta, Montedison's listed services subsidiary follow a string of other Montedison rights issues this year designed to raise $1.7bn.

The rights issue, proceeds of which would fund the L740bn ($529m) purchase of 12.4 per cent of La Fondiaria, comes only days after Mr Mario Schimberni, was attacked by Montedison chairman, Mr Enrico Cuccia, a director of Mediobanca, the Milan merchant bank which owns 6.2 per cent of Montedison equity.

Mr Cuccia accused the Montedison chief of not informing Mediobanca and others of a Montedison shareholders' syndicate of the La Fondiaria deal.

There was speculation on Milan's stock market yesterday of attempts to destabilise Mr Schimberni's management at Montedison. Mr Cuccia, who represents the traditional old guard of Italian corporate power, was unavailable for comment.

The Italian financial establishment, including Mr Gianni Agnelli, Fiat chairman, was last year furious with Mr Schimberni for having taken over the BI-Invest property and financial group against its wishes. Mediobanca, part of the old establishment, fears Mr Schimberni's plan to use La Fondiaria as part of a new financial services subsidiary could rock the equilibrim of Italian capitalism.

By acquiring a 12.4 per cent stake in La Fondiaria, Montedison has taken control of the Florence insurer with a 37.5 per cent stake and obtained control of a small but key stake in Mediobanca itself.

Mr Schimberni's fund-raising announcement and Montedison's release yesterday of a document justifying the La Fondiaria deal as part of the group's strategy of building its presence in the insurance sector and other financial services has been seen in Italy as a defiant response by the Montedison chief to future attack.

Mr Cuccia's attack, in turn, is seen in Italian financial circles as part of a vendetta against Mr Schimberni, who has broken with the traditional style of Italian capitalism

With tension rising on the Milan bourse over the Cuccia-Schimberni battle, the Montedison chairman has convened a meeting of the shareholders' control syndicate, which comprises the group's top 10 shareholders, for Friday.

Brush-off for Bowater

BY ROBERT GIBBENS IN MONTREAL

BOWATER, the biggest US newspaper producer, has received the brush-off from the family trust which holds almost 79 per cent of R. L. Crain, an Ottawa-based business-forms manufacturer.

Bowater had offered C$45 a share for all the Crain shares, worth a total of about C$78m (US$56.3m) if the Crain family trust tendered its majority holding.

However, the trust has refused to sell, without giving any public explanation.

In the year ended 1985 Crain had earnings of C$4.1m or C$2.37 a share on sales of C$107m.

Compaq clone puts pressure on IBM

By David Thomas in London

COMPAQ COMPUTER of the US has become the first large manufacturer of IBM-compatible business personal computers to introduce a new generation of machines using Intel's new 386 microprocessor.

This puts pressure on IBM at the top end of the IBM-compatible or clone market just as the price war is intensifying at the low-cost end of the market.

Compaq's two new models will be able to run existing software about two to three times faster than existing personal computers. They offer the computing power available now only on minicomputers, the next stage up from personal computers.

IBM itself does not yet have a machine using the 386 microprocessor, despite its large minority holding in the chip producer. Compaq's move is an unusual example of an IBM-compatible manufacturer introducing important innovations ahead of IBM.

Compaq believes that 386-based machines might take 10 per cent of the entire personal computer market, valued at $34bn, within a year.

It is designed for users needing high speed applications such as large databases and spreadsheets.

The company is offering two models: Deskpro 386 Model 40, with a 40-megabyte hard disc, and Deskpro 386 Model 130, with a 130-megabyte hard disc.

The company is not yet offering software specifically designed for the 386 microprocessor though it says that an operating system being designed for the 386 by Microsoft, the US software company, will be available in the first half of next year.

Texas bank expects $40m loss

BY WILLIAM HALL IN NEW YORK

ALLIED Bancshares until now regarded as one of the major Texas banks least affected by the sharp fall in the US oil price, yesterday announced it expected to report a $40m third-quarter loss and warned that it might have to cut its dividend.

The Houston-based group, which ranks as the fifth biggest banking organisation in Texas, plans to make a $110m provision in its third quarter as a result of the current evaluation of its portfolio.

Allied said the sharply increased provision and the write-down of foreclosed property reflected a "pervasive deterioration in the Texas economy, beginning with the energy sector's enormous drop in cash flows as a result of declining prices and now spreading throughout real estate and general commercial activities."

The higher loan-loss provision will be used to cover estimated net charge-offs of $82m in the third quarter and to build up the loan-loss allowance.

About 35 per cent of the charge-offs in the current quarter are related to energy and 25 per cent are related to property with the remainder coming from general and individual credits. The allowance for possible loan losses will be increased by about a quarter to $140m and the ratio of the allowance to total loans will be about 2 per cent.

Allied said that, after the latest provisions, it expected its non-performing loans to total about $400m or 5.7 per cent of total assets. The action will cut the book value of Allied's shares from $19.25 at the end of June to about $15.

Mr Jay Crager, Allied's chief financial officer, said yesterday that the group had taken steps to protect its funding when oil prices collapsed at the beginning of the year and it was currently "quite stable, albeit expensive." Unlike some Texas banks, Allied is not a big borrower in the international money markets.

Andersen loses appeal over Drysdale

BY ANATOLE KALETSKY IN NEW YORK

ARTHUR ANDERSEN, a leading international accounting firm, has lost its appeal against a $17m judgment arising from its auditing of Drysdale Securities, the US government securities dealer which collapsed with more than $180m of losses in 1982.

The judgment, delivered on Monday by the US Appeals court, upheld the damages awarded to Manufacturers Hanover Trust by a New York jury last year in a civil suit which claimed that Andersen had acted fraudulently and negligently in certifying Drysdale's financial statements.

In a separate accountancy dispute settled yesterday, Grant Thornton, another leading accountant, agreed to pay $22.5m to American Savings and Loan Association of Florida in connection with the collapse last year of ESM Government Securities.

The cases highlight the growing risks of legal liability which are faced by US auditors of failing companies. The judgment in favour of Manufacturers Hanover Trust comes on top of an out of court settlement believed to have been worth around $50m which Andersen reached two years ago with Chase Manhattan, another of Drysdale's bankers.

Although the Court of Appeals ruling on Monday set no new precedents, it stated that Andersen's certifications of Drysdale financial statements portrayed "a highly capitalised company on whose promises" the banks could rely and thereby "may reasonably have been found to have induced" Manufacturers Hanover to enter into financial arrangements with Drysdale.

Arthur Andersen has not decided whether to appeal against the judgment in the Supreme Court but said yesterday it still believed the merits of its appeal were well founded and has reviewing the court's opinion to "determine what options are available." In June this year the Supreme Court ruled that Mr Warren Eisner, a former Andersen partner, would have to stand trial on a civil charge brought against him by the Securities and Exchange Commission in connection with the Drysdale failure.

Simon buys Hawaiian thrift group for $40m

BY ANATOLE KALETSKY IN NEW YORK

MR WILLIAM SIMON, the New York financier and former US Treasury Secretary who has acquired a reputation for masterminding highly profitable leveraged takeovers, has bought Hawaii's largest thrift institution, Honolulu Federal Savings and Loan.

In making the acquisition, he has embarked on a plan to build a network of banking institutions from California to the Orient.

Although the initial investment in Honolulu Federal is small at $40m, his plans command respect on Wall Street, particularly as he has installed a management team headed by Mr Preston Martin, former vice chairman of the Federal Reserve Board, to manage his venture into trans-Pacific finance.

The new financial holding company which Mr Martin will head and which has bought Honolulu Federal is to be called H. F. Holdings and will be based in San Francisco. Apart from Mr Simon and Mr Martin, the other partners in H. F. Holdings are Mr Gerald Parsky, a former assistant Treasury Secretary in the Nixon Administration under Mr Simon, Mr Roy Doumani, chairman of World Trade Bancorp, and Mr Larry Thrall, a real estate developer.

Mr Parsky said that H. F. Holdings is looking at a number of other financial acquisitions and has already submitted bids for two insolvent California thrifts, Southern Savings and Loan in Los Angeles and Bell Savings and Loan in San Mateo, which have been temporarily taken over by the Federal Savings and Loan Insurance Corporation.

Among Mr Simon's successful ventures in the past has been the purchase of Gibson Greetings from RCA for $80m in 1982 and the acquisition this year of the Avis car rental business from Beatrice Companies.

Both these deals were done through Wesray, a private investment company controlled by Mr Simon and his partner Mr Raymond Chambers. However, there have been reports recently that Mr Simon's relations with Mr Chambers have deteriorated and his investment in Honolulu Federal Savings is not being channelled through Wesray.

INTL. COMPANIES & FINANCE

Bertelsmann to buy full control of RCA music for $300m

BY ANDREW FISHER IN FRANKFURT

BERTELSMANN, the expanding West German media group, is set to take full control of one of the world's largest record companies in a deal worth about DM 620m ($300m) to buy the majority shares in RCA's music businesses.

The investment, expected to take effect by the end of the year, is in line with the ambitious investment plans announced by the German company in March. Up to 1988, it aims to spend about DM 2.5bn with almost a third earmarked for new activities and for key markets like the US.

Bertelsmann already owns 25 per cent of the shares in the RCA music businesses. It said yesterday it had agreed with General Electric of the US, RCA's parent, to acquire the remainder. This move will increase the turnover of Bertelsmann's music interests from DM 530m to about DM 2bn.

As well as the record company of RCA, Bertelsmann will obtain the US company's record club, with more than 2m members, and a music video production concern. The RCA record label will stay in being.

Bertelsmann, which said in July that turnover for its first nine months to March, 1986, rose 2.4 per cent to DM 5.8bn, began its association with RCA in 1983. The US company then bought a half share in Arista, Bertelsman's US record company.

Slightly more than a year ago, RCA placed all its music activities in a joint venture with Bertelsmann under the name of RCA/Ariola International. RCA held 75 per cent of the shares (49 per cent in German-speaking markets) and Bertelsmann the remainder.

RCA/Ariola is represented in 18 countries with record companies, music publishers, and music video businesses. After CBS and Warner, it is the third largest company in the industry.

Mr Mark Woessner, chief executive of Bertelsmann, said that the deal – still subject to approval by the supervisory board and by the Federal Cartel Office – meant the achievement of a "long-term strategic goal." The position of the company in the toughly competitive music market would be considerably strengthened.

Oerlikon-Bührle again downgrades forecast

BY JOHN WICKS IN ZURICH

OERLIKON-BÜHRLE, the Swiss industrial concern, has again downgraded its sales forecast for the current year.

Oerlikon-Bührle Holding, the Zurich parent company, said there would "hardly be an increase" over the 1985 group turnover figure of SFr 4.86bn ($2.9bn).

Dr Dietrich Bührle, chairman, said in May that expectations for 1986 sales growth had fallen form 10 per cent to less than 5 per cent in the light of exchange rate developments.

The unfavourable currency situation was again given as the main reason for the anticipated stagnation in consolidated turnover, confirming the May forecast that there would be no improvement in group earnings this year.

Jacobs lifts first-half earnings

BY OUR FINANCIAL STAFF

JACOBS SUCHARD, the Swiss chocolate and coffee group, reports a good rise in profits for the first half of 1986 and says earnings for the full year will show a satisfactory increase.

In spite of a decline of 6 per cent in sales because of currency swings and rapid movements in raw material prices, profits for the half year are said by the company to be well above those for the comparable period of 1985.

Jacobs said chocolate sales fell

Elf to raise FFr 10bn in stages

By Our Paris Staff

A LIKELY recourse to the international capital markets by Elf Aquitaine, the French state-controlled oil group, to raise funds for future expansion will be made gradually rather than through a single operation, the company made clear yesterday.

The company was given authorisation by shareholders last week to raise up to FFr 10bn ($1.47bn) by issuing a variety of equity-related financial instruments giving rights for subscribers to acquire Elf shares. The range of possible instruments includes convertible bonds as well as securities involving warrants. Elf said no decision had yet been made on the most appropriate means.

Erap, the state holding company which owns 67 per cent of Elf, has, together with other existing shareholders, agreed to forego during one year its preferential subecription rights to acquire the securities.

Erap has already disclosed plans to reduce its stake in Elf to about 51 per cent partly through sales of some of its existing stake on the bourse. The eventual reduction in the Erap stake would be achieved through a combination of outright share sales and an injection of outside capital to be achieved through the securities issues. The exact proportion has yet to be decided.

Elf is also keeping open the possibility of launching *certificats d'investissement* (non-voting shares) in line with issues of this type already made by other state-owned French banking and industrial groups. The capital-raising authorisation gives it the possibility of issuing CIs, up to a total of one quarter of its paid in capital – the same limit as for other state-owned groups.

A forthcoming launch of CIs by Elf was rumoured during the summer but the company said yesterday it had not yet envisaged such an issue as a serious possibility.

Elf is considering seeking a listing on Wall Street as part of efforts to widen the international spread of its shareholders. Its American subsidiary, Elf Aquitaine Inc, is not, however, – contrary to a report in the Financial Times on Monday – listed in New York.

INTERNATIONAL COMPANIES and FINANCE

Heinz on track for another record year

By Our Financial Staff

H. J. HEINZ, the US convenience food manufacturer is on track for another record year.

Net earnings for the first quarter of fiscal 1986-87 have increased 5 per cent, from $81.6m to $85.7m, or from 59 cents to 62 cents a share.

Revenues for the period improved by 3.4 per cent to $1.08bn from $1.05bn for the same period of 1985.

The directors said they expected gains to accelerate towards the end of the fiscal year.

They added that foreign currency gains helped boost first-quarter income.

IC Industries takes pre-tax charge for railroad shake-up

BY WILLIAM HALL IN NEW YORK

IC INDUSTRIES, the Chicago conglomerate, is to take a $520m pre-tax charge mainly to cover costs associated with the restructuring and eventual disposal of the Illinois Central Gulf (ICG) railroad, which lies at the heart of its operations.

Some $410m of the special charge is associated with the ICG railroad and another $110m for the group's Pneumo Abex operations. The special pre-tax charge exceeds the anticipated record operating income the company expected to report for 1986 and will result in a consolidated net loss for the year.

In the first six months of 1986 IC Industries operating income rose by $6m to $104m. The group's shares fell by ⅛ to $27 yesterday.

Mr William B. Johnson, chief executive, said the company was well ahead of schedule in its plans to reduce the railroad, restructure Pneumo Abex and move into consumer, aerospace and defence business. In the past 13 months the ICG railroad has sold, or has contracted to sell, eight major line segments totalling 2,900 miles for nearly $400m, leaving a 3,000-mile core system.

It was now prudent to reduce ICG's fixed costs to an efficient level for the profitable operation of a 3,000-mile railroad. With these actions the company has cleared the decks for future growth and the "eventual disposition" of the ICG railroad, Mr Johnson said.

The special charges will cut the railroad's net worth from $530m to $295m and increase its debt to capitalisation ratio from 32 per cent to 38 per cent. IC Industries group debt to capitalisation ratio will rise from 45 per cent to 47 per cent.

Since it acquired Pet in 1978 the company has divested 76 businesses and has reinvested the proceeds in 67 acquisitions with assets of $2bn.

UIC agrees to buy stake in mining concern

By Steven Butler in Singapore

UNITED Industrial Corporation (UIC), the Singapore, chemical, property and investment concern has agreed to buy a A$5.12m (US$3.5m), 10 per cent interest in Pelsart Resources of Australia, which has extensive gold and diamond mining tracts in Indonesia.

UIC has agreed to purchase 12.8m shares at A$0.40. It has an option to purchase a further 10m shares at A$1 within two years, which would take its stake in Pelsart up to 18 per cent.

The investment will be UIC's first venture in the mining industry. Pelsart said UIC was selected as a partner to supply a needed capital injection because of UIC's extensive involvement in Indonesia. Pelsart also plans to have mining dredges assembled in Singapore and floated by barge to the mining sites.

Exploration tracts

Pelsart has been granted four exploration tracts under contract from the Indonesian government, five granted in principle, and three under application, for a total of 60,000 square kilometres.

Pelsart recently shed interests in oil to other companies of the Parry Corporation Group, of which it is a part, in order to concentrate on gold, platinum, and diamond exploration in Indonesia.

The Kasongan alluvial gold deposits in Central Kalimantan, operated jointly with Jason Kasongan, are expected to commence mining in early 1987. Mr Mike Novotny, Pelsart director, said that gold recovery costs at the site were estimated at US$62 per ounce, that a single dredge would be able to recover 49,000 ounces per year, for an annual operating profit of US$70m per dredge.

Glowing prospects

Pelsart also spoke glowingly of mining prospects for epithermal gold deposits encircling the Mt Muro area of Kalimantan, where the company has a 20 per cent interest in three tracts. Duval Corporation of Indonesia, a subsidiary of Penzoil, has a 60 per cent interest in the sites and is operator and sole financial contributer in the feasibility-study stage.

Pelsart has other mining joint ventures in Indonesia with BP and Renison Goldfields, as well as Indonesian partners who have a 15 per cent stake.

Marui shows 23% increase in earnings

By Yoko Shibata in Tokyo

MARUI, Japan's largest credit sales department store lifted pre-tax profits 23 per cent to Y17.9bn ($114.7m) in the half year to July. Net profits rose by 28 per cent to Y8.3bn, on interim turnover of Y183.45bn, up 15 per cent from the previous year.

Mr Tadao Aoi, president, attributed the strong performance to the remodelling of 11 stores and the opening of two stores as well as popularity of designers and character brand goods. Service sectors showed a good performance—this area centres mainly on consumer loans. The balance of these loans '

Full year turnover is expected to increase by 9.1 per cent to Y390bn and pre-tax profits, up by 14 per cent to Y34bn. Pre-tax profits and sales are expected to exceed initial projections by Y2bn and Y5bn respectively. The company plans an annual dividend of Y16 per share.

Woodside boosts midway profit

BY ROBERT KENNEDY IN SYDNEY

WOODSIDE PETROLEUM, which has Shell and BHP as major shareholders, yesterday announced an improved profit of A$2.97m (US$1.82m) in the first half of 1986, against A$289,000 a year ago.

The company also took the opportunity to dismiss the latest A$175m takeover offer from National Mutual Life, for its Cooper Basin subsidiary, Vangas.

Vangas is 50.6 per cent-owned by Woodside, which in turn is 80 per cent controlled by BHP and Shell.

NML announced on Monday that it was increasing its offer for Vangas from A$2.25 to A$2.59 a share. The offer is conditional on 90 per cent acceptances. NML already has 12 per cent of Vangas.

Woodside said it felt the NML offer for Vangas was "entirely inadequate."

Referring to its interim result, Woodside said the improvement was achieved despite a loss of A$1.1m from its 50 per cent share of the domestic gas phase of the North West Shelf project, included for the first time.

However, the directors warned that the midway profit reflected selling prices in the first quarter which were significantly higher than prices now being obtained.

"The group cannot be confident of the same results in the current half unless there is a dramatic and sustained recovery in oil prices during the remaining months of the year," the company said.

Woodside said the fall in oil prices continued to cause concern among the group's creditors, adding that the borrowing structure of the group was unchanged from that reported at an annual meeting in April.

Shareholders were told in April that the fall in prices had been of a magnitude greater than any predicted when its US$1.65bn loan facility to help fund the North West Shelf development was negotiated.

Streamlined Sunshine ahead

BY OUR SYDNEY CORRESPONDENT

SUNSHINE AUSTRALIA has emerged from a major restructuring with a 350 per cent profit increase to A$18.6m (US$11.4m) for the year ended June, 1986.

The result indicates that the company has continued in the vein apparent at the end of the first half when profit rose from A$8,000 to A$4.72m. A dividend of 12 cents a share is planned.

Mr Lee Ming Tee, the managing director, attributed the group's impressive performance partly to dividend income from major investments: Wormald International which invested 37 per cent; Sunshine Pacific, 42 per cent; and Enakon, 20 per cent.

"All elements of the group's thrust to become an international investment vehicle are now in place and are beginning to produce substantial returns to shareholders," he said.

"Wormald is central to our international expansion in terms of its forthcoming listing in London and New York and because of the opportunities it provides from cross-development with other of the group companies."

Japanese steel groups may pass dividends

MAJOR Japanese steel companies, suffering grievously from the yen's sharp appreciation, are considering skipping interim dividends for the six months ended June 1986.

"We can't escape a large loss in the first half," said Nippon Steel Corp, Japan's largest steel producer. "We are studying various possibilities, including the possibility of no dividend."

The yen's upswing since September last year has been hitting steel makers hard, both in overseas markets and in the home front. It has eroded international competitiveness of their products by raising prices in other countries.

It has also sent domestic demand plunging as major steel users like car, plant and electric product makers, also reeling in the face of the crippling impact of the strong yen, have curbed both production and investment.

Sumitomo Metal Industries said, "the effects of the yen's appreciation are stronger, at least for us, in the domestic market than in overseas markets."

Steel producers suffered severe setbacks last year. Sumitomo for instance, reported a 25.3 per cent net earnings drop in the year, while Nippon Steel's net went down 12 per cent.

For the first half of fiscal 1985, the major steel companies paid Y2.5 in interim dividends, keeping their full-year payment unchanged at Y5.

Steel company officials are reluctant to discuss the first-half earnings performance in details, but losses this year are widely expected to be substantial.

AP-DJ

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Few deals launched amid worries on interest rates

BY CLARE PEARSON

THE EUROBOND market traded thinly yesterday amid worries about the outlook for international interest rate cuts, and only a trickle of new deals were launched. Many of them were targeted at specific investors, or else were equity related.

The equity warrants market has become oversupplied with five-year equity warrants deals for Japanese borrowers. Some issues are being marked down sharply, as the fall in the "straight" fixed-rate market has hit the value of the bond element of equity warrants deals.

But Nomura International found good demand for a $200m five-year issue for Asahi Chemical Industry, the synthetic fibre company, yesterday. The par-priced deal traded well within its 2¼ per cent fees at a bid price of 98¼.

The bond's coupon was indicated at 3¼ per cent, but final terms will be set on September 16. The issue is Nomura's 100th Eurobond this year.

Nomura also issued a $80m seven-year bond for Fuji Paper, Japan's third largest paper manufacturer. The deal pays interest at 8¼ per cent and is priced at 101½. Dealers said it would be largely placed in the Far East.

Yamaichi International (Europe) meanwhile issued a five-year Y14.2bn deal for Ford Motor Credit. Its coupon was set at 5¼ per cent and it was priced at 116½. This "high-couponed" deal also looked destined for placement in Japan.

Orion Royal Bank issued a C$50m five-year bond for Landesbank Rheinland-Pfalz. Its coupon is set at 9¼ per cent and it is priced at 101¼.

The deal was quoted at discounts to issue price around the level of its total fees yesterday. Dealers thought that, although it was moving slowly yesterday amid an overhang of five-year Canadian dollar paper, it would in due course find favour with European investors.

Salomon Brothers International's car-loan backed bond for GMAC, launched on Monday, traded firmly yesterday.

In the D-Mark market, prices stabilised after sharp falls in early trading and were basically unchanged on the day.

Deutsche Bank issued a DM 100m deal for Asian Development Bank. The 10-year 6¼ per cent bond was priced at 99¼. Dealers thought these terms reasonable, and it traded within its 2 per cent commissions at a bid price of 98.

In the Swiss franc market, prices displayed a weaker tendency. Dealers fear that yields on bonds, which have been falling for some time, may have reached their lows.

Soditic issued a SFr 200m 12-year deal for European Investment Bank. Its yield should be set at just above 5 per cent when pricing takes place on September 15. It is callable in 1991 at 101½, and then at declining premiums.

Credit Suisse issued a SFr 150m nine-year issue for the French Caisse Nationale des Telecommunications (CNT). Its coupon was fixed at 4¾ per cent and its price at 100½. It is callable in 1990 at 100½ and then at declining premiums.

Banca del Gottardo priced a SFr 50m five-year private placement with equity warrants for Nippon Valqua Industries, an industrial packings group. Its coupon was cut to ⅞ per cent from an indicated 1 per cent. Warrants are exercisable into shares at a price of Y666, a 2.62 per cent premium over the Tokyo closing level. The exchange rate was set at Y93.32 to the Swiss franc.

Societe Generale increased its recent "bull and bear" five-year bond for Denmark from FFr 500m to FFr 800m. Each FFr 400m tranche has its redemption amount linked to the performance of the CAC Index.

Credit Suisse sees record

By John Wicks in Zurich

CREDIT SUISSE, one of the Big Three Swiss banks expects record earnings for the current year. The Zurich-based bank booked a 22 per cent increase in net profits to SwFr 507m in 1985.

For 1986, the weak dollar is seen by Mr Jeker as leading to a reduction of Credit Suisse's balance-sheet total and its income from foreign business. This should, however, be more than compensated for by progress in such other sectors as precious-metals trading.

Lorimar-Telepictures buys MGM facilities from TBS

BY OUR FINANCIAL STAFF

LORIMAR - TELEPICTURES, the rapidly growing California-based film production and distribution group, has reached a definitive agreement to buy the former MGM Entertainment facilities and laboratories from Mr Ted Turner's Turner Broadcasting System (TBS).

The company is paying $160m in cash, plus up to $30m in additional deferred payments, which may be met in the form of free advertisement time on TBS over an eight-year period. It will acquire the 44-acre film production lot formerly owned by MGM, together with the Metrocolor Film Laboratory.

Lorimar said yesterday that Metrocolor would be sold on to CSD Acquisition Corporation for $60m together with 40 per cent of the deferred obligation.

The disposal, first mooted last June, forms part of a $490m series of asset sales by TBS

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on September 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	103½	103⅞	-0⅛	-1⅛	9.35
Atlan. Richfield 10¼ 00	250	108	108½	+0⅛	-2½	9.18
Australia Com. 11 95	200	114¼	114¾	-0¼	-0⅞	8.58
Australia Com. 11¼ 00	200	114	114¾	0	-1¼	9.37
BP Capital 9¾ 94	160	102¾	103⅛	-0⅛	-1¼	8.93
BP Capital 11⅛ 92	150	†108¾	109⅛	-0⅛	-1¾	8.98
Campbell Soup 10½ 95	100	112¼	112¾	-0⅛	-1¼	8.46
Canada 9 96	1000	106½	107	-0½	-2⅛	7.95
Canada 11½ 90	500	112⅞	113	-0¼	-2	7.29
Canadian Pac. 10¼ 95	100	†109⅞	109⅞	-0⅛	-1½	8.83
CEPME 10⅛ 91	100	107⅞	108⅜	+0⅛	-1⅛	8.11
Credit Lyonnais 9 91	200	104⅝	105⅛	-0⅛	-1½	7.65
Credit National 9⅛ 93	150	†105	105½	-0¼	-2⅛	8.05
Denmark Kingdom 7 89	500	99⅛	99⅝	0	0	7.14
Denmark Kingdom 7¼ 93	250	98⅜	99	-0⅛	-1⅛	8.61
Denmark Kingdom 8¼ 91	300	102¼	102½	-0⅛	-1⅛	7.63
Deutsche Bank Fin. 8 93	150	97	97½	-0⅛	-1⅛	8.59
EDC 8½ 92	100	103⅛	103⅝	+0⅛	-1½	7.71
EEC 8¼ 96	100	102½	103	+0⅛	-1¼	7.85
EEC 8⅝ 91	250	†104⅝	105⅛	-0⅛	-0⅞	7.28
EEC 9⅝ 90	150	105⅞	106⅛	+0⅛	-1⅛	7.73
EIB 10¼ 94	200	111	111½	-0¼	-1⅛	8.31
EIB 12 95	200	120⅞	120⅞	-0⅛	-2	7.97
Eurofima 7¾ 91	100	100⅜	100⅞	-0⅛	-1½	7.59
Export Dev. Cpn. 10 90	100	108⅞	108⅞	-0½	-1⅛	7.26
Finland 7½ 93	200	98⅞	98⅞	+0⅛	-1⅛	7.76
Ford Motor Cred. 10½ 91	250	106⅝	107¼	+0⅛	-1⅜	8.27
Ford Motor Cred. 11⅛ 90	100	†110¼	110¾	-0⅛	-1⅛	7.74
Gen. Elec. Cred. 10¼ 00	200	†107⅞	107⅞	+0⅛	-0⅞	9.25
GMAC 10¼ 89	200	106⅜	107⅛	-0⅛	-1⅛	7.26
GMAC 8½ 93	200	101¼	101¾	0	-2⅛	8.19
IADB 9⅜ 95	200	110⅞	111	0	-1⅛	8.17
Liberty Mutual 8½ 96	150	100⅛	101⅛	-0⅛	-2⅛	8.36
LTCB of Japan 8 91	100	102⅛	102⅝	+0⅛	-1⅛	7.55
Merrill Lynch 8¼ 91	100	103	103½	+0⅛	-1½	7.95
Mercds.-Benz Cred. 7⅞ 95	100	†98⅞	99⅛	+0⅛	-0⅞	7.89
New Zealand 8⅛ 93	250	100	100½	-0⅛	-1⅛	8.18
Norway Kingdom 7¼ 91	500	99⅛	100⅛	+0⅛	+0⅛	7.28
Pepsico Inc. 7⅞ 93	200	†96½	97	-0⅛	-1⅜	8.61
Proct. & Gamb. 'A' 9⅞ 92	150	106⅞	106⅜	-0⅛	-1⅛	8.48
Qantas Airways 10⅜ 95	140	110¾	111⅛	+0⅛	-2⅛	8.54
Queensland Govt. 10¼ 95	100	108⅜	109⅜	-0½	-2⅛	8.69
Ralston Purina 11¼ 95	150	†112⅞	112⅞	-0⅛	-2⅜	9.56
Saab Scania 9⅞ 91	125	105⅞	105⅞	+0⅛	-1⅛	7.85
Saskatchewan 10¼ 92	100	112¼	112⅞	+0⅛	-1⅛	7.83
Scandinavia Air. 10⅛ 95	150	109½	110⅛	-0⅛	-2⅛	8.54
State Bk. S. Aust. 9¼ 93	100	†105⅞	105⅞	-0⅛	-0⅛	8.48
Statoil 10 90	170	108	108½	0	-1¼	7.49
S. Wales Trsy. 11⅞ 90	150	111	111½	0	-1½	8.04
Swed. Exp. Cred. 10 92	100	110⅛	111	0	-0⅞	7.63
Sweden 8¾ 96	200	104	104½	-0⅛	-2	8.08
Sweden 10¼ 92	250	111⅞	111⅞	-0⅛	-2⅛	7.80
Sweden Kingdom 10⅞ 90	200	111¼	111⅞	-0⅛	-1⅛	7.22
Sweden 11¼ 94	100	116¼	116¾	-0¼	-2	8.84
Toyota Motor Cred. 8 89	100	†102⅛	102⅞	+0⅛	-0⅛	6.92
Victorian Rep. 11⅝ 92	150	113	113½	0	-2⅛	8.54
World Bank 8⅛ 16	250	94½	95	0	-2⅛	9.01
World Bank 9¼ 16	300	101⅞	102⅛	-0⅛	-2⅛	9.05
World Bank 9⅜ 16	300	†105	105⅜	+0⅛	-2⅛	9.22
World Bank 10⅜ 95	300	113⅛	114⅛	-0⅛	-2⅛	7.89
Yasuda Trust Fin. 8½ 93	100	†102⅜	102⅞	-0⅛	-1⅛	7.97

Average price changes on day -0⅛ on week -1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	109⅛	109⅝	-1⅛	-0½	6.43
Austrian Elec. Co. 6½ 95	150	100⅞	101⅛	+0⅛	-0⅛	6.33
BMW 5¾ 96	200	92⅛	92⅞	+0⅛	-1⅛	6.32
Daimler Benz Int. 5¾ 01	500	94½	95	-0⅛	-0⅛	6.30
Dow Chemical 5⅞ 96	200	94	94½	-0⅛	-0⅛	6.46
Dow Chemical 6¼ 95	150	101⅛	101⅞	+0⅛	-0⅛	6.04
EIB 5½ 98	150	95¼	95⅞	+0⅛	-0⅛	6.05
EIB 6⅜ 95	300	101⅛	101⅞	-0⅛	-1⅛	6.23
EIB 7¼ 94	300	105⅛	105⅜	0	-0⅛	6.31
Emhart Corpn. 6¾ 95	125	102	102⅜	+0⅛	-0⅛	6.41
Eurofima 6⅛ 96	100	100⅜	100⅞	0	-0⅛	6.12
Ex.-Im. Bk. Korea 7⅞ 90	100	105⅜	105⅞	-0⅛	0	5.81
Finland Republic 7 92	200	103⅜	104⅛	-0⅛	-0⅛	6.12
Hoesch Intl. Fin. 7 95	100	105⅜	105⅞	+0⅛	-1⅛	6.20
Hydro Quebec 5⅞ 96	225	94⅛	94⅞	-0⅛	-0⅛	6.27
Hydro Quebec 6 16	150	94	94½	-0⅛	-0⅛	6.44
IBJ 5⅞ 96	200	†95⅛	95⅞	0	-1⅛	6.27
Ireland 8¼ 92	150	108⅞	108⅞	+0⅛	+0⅛	6.36
US Elsam 6¾ 93	125	†100	100⅜	-0⅛	-0⅛	6.70
Korea Dev. Bank 6⅜ 93	200	98	98½	+0⅛	-0⅛	6.95
Mitsubishi M. 3⅛ 89 WW	100	111½	112	+0⅛	+1½	-0.42
Mitsubishi M. 3⅛ 89 XW	100	93⅞	94⅛	-0⅛	+0⅛	5.20
Renfe 7¼ 95	100	†107	107½	+0⅛	+0⅛	6.62
Soc. Cent. Nuclear 7¼ 95	150	101⅞	102⅛	+0⅛	-0⅛	6.55
Soc. Cent. Nuclear 8 91	100	104⅞	104⅞	+0⅛	-1⅛	6.83
Stevens 5½ 96	100	93	93½	-0⅛	-0⅛	6.45
World Bank 7 95	600	104⅞	105⅛	-0⅛	-1⅛	6.25
Yorkshire Intl. 6¾ 01	200	95	96½	-0½	-0⅛	6.65

Average price changes on day -0⅛ on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	day	week	Yield
Avon Cap. Corpn. 5⅞ 94	100	*†105⅛	105⅜	0	-0½	4.98
Brit. Land Comp. 6½ 99	75	†108½	108⅞	-1	-1⅛	5.58
Chrysler 5¾ 96	160	†102⅞	102⅞	+1	-0½	5.39
Council of Europe 6 92	120	*†104½	104⅞	0	-0⅛	5.11
Creditanstalt 5½ 94	100	†105⅛	105⅜	-0⅛	-0⅛	4.65
Deutsche Bk. Fin. 5⅛ 95	100	*†106	106⅛	0	-1	4.47
Gen. Occidentale 4½ 94	80	†124⅛	124⅛	+0⅛	+1⅛	1.37
Glendale F. S. & L. 5½ 95	100	†101⅛	101⅞	+0⅛	-0½	5.27
Humana 5⅛ 98	120	†98⅛	98⅞	-0½	-0½	5.30
Ind. Fund Fin. 5⅞ 94	40	*†105⅛	105⅞	0	-0½	5.27
N. Zealand Steel 5⅛ 96	70	†100½	100⅞	0	-0⅛	5.66
Oberos. Kfwk. 5⅞ 95	100	†103⅛	103⅜	0	0	4.98
Olivetti Intl. 5½ 95	100	†105	105⅛	+0⅛	0	4.78
Pepsico 5⅛ 95	130	†105	105⅛	+0⅛	+0⅛	4.51
Philbro-Salomon 5⅞ 97	110	†102⅜	103	+1¼	+1¼	4.79
Ralston Purina 5⅞ 94	225	†102⅞	103	-0⅛	-0⅛	4.94
Setas Euro. 0 01	100	48	48⅛	+0½	+1	5.17
Tokyo Elec. Power 5⅛ 93	120	104⅛	104⅛	-1	-1	4.64
Tokyo Metropolis 5⅛ 94	80	†104⅛	104⅞	+0⅛	-0⅛	4.56
World Bank 5⅛ 94	150	†105⅛	105⅞	+1	+1	4.90

Average price changes on day +0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 92	20	99⅛	99⅞	-0⅛	-0⅛	5.99
Denmark 6⅞ 96	10	102⅞	102⅞	-0⅛	-0⅛	6.40
Dow Chemical 6⅞ 01	25	97⅛	98⅛	-0⅛	-0⅛	6.60
EIB 6⅛ 96	15	103⅛	103⅞	0	-0⅛	5.86
Province de Quebec 6 98	20	†96⅛	97⅛	-0⅛	-0⅛	6.12

Average price changes on day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	54⅛	55	0	-0⅛	14.05
Bremer Ldsbk. 12⅞ 91 A$	30	98⅛	99⅛	0	+0⅛	13.07
Fiat Finance 14½ 89 A$	50	100⅛	101⅛	+0⅛	-0⅛	13.99
GMAC 12⅞ 89 A$	40	97⅛	98⅛	0	-0⅛	13.67
Landsbk. Rhein. 13 89 A$	30	97⅛	98⅛	0	+1⅛	13.75
Canadian Pac. 10⅜ 90 C$	75	—	—	—	—	—
Chrysler Corpn. 10 91 C$	75	—	—	—	—	—
Comtar Fin. 11⅛ 95 C$	75	*†107⅞	107⅞	0	-0⅛	10.41
GMAC 9⅛ 92 C$	75	—	—	—	—	—
Royal Trustco 10⅞ 90 C$	75	—	—	—	—	—
Sears Acc. 10⅞ 92 C$	75	*†103⅛	103⅞	0	-0⅛	9.85
Coca-Cola F. C. 17 90 NZ$	75	†103⅛	103⅞	-0⅛	+0⅛	15.91
Denmark 17½ 89 NZ$	50	*†104½	105	0	+4	14.90
Unilever Cap. 17½ 89 NZ$	50	†102⅞	103⅛	+0⅛	+0⅛	16.15
Copenhagen City 9 95 Ecu	40	*104⅞	105⅛	0	-0⅛	8.10
EIB 8⅞ 93 Ecu	100	*†107⅛	108⅛	0	-0⅛	7.04
Walt Disney 8⅛ 94 Ecu	62	*105⅛	105⅞	0	-0⅛	7.76
Honda Mtr. WW 3⅞ 90 Fl	100	108	108⅛	0	+0⅛	1.42
Honda Mtr. XW 3⅞ 90 Fl	100	93	93½	+0⅛	+0⅛	6.05
Thyssen 7¼ 90 Fl	50	100	100½	0	-0⅛	6.82
Werekdiamo 7½ 90 Fl	75	104⅛	104⅞	0	+0⅛	6.36
Wessanen 6¼ 90 Fl	50	105⅛	105⅛	0	+0⅛	5.25
Amev 11 93 £	50	†102⅞	103⅛	0	-2⅛	10.28
Australia Com. 11 92 £	40	†101⅛	101⅞	-0⅛	-1½	10.57
GMAC UK Fin. 10½ 90 £	30	†102⅛	102⅞	0	-0⅛	9.94
Imp. Chem. Inds. 10 05 £	100	96⅛	96⅛	-0⅛	-1½	10.44
Imp. Chem. Inds. 10⅞ 92 £	75	100⅛	100½	0	-1⅞	10.69
Invest. in Inds. Int. 10 93 £	60	96⅛	97⅛	-0⅛	-1⅛	10.63
Leeds Bldg. Soc. 10½ 91 £	50	97⅛	99⅛	-0⅛	-2	10.64
McDonalds 10⅞ 90 £	40	†101½	102	-0⅛	-1⅛	10.25
Nationwide BS 10⅛ 93 £	75	97⅛	97⅞	-0⅛	-1⅞	10.42
NSW Treasury 10⅜ 92 £	50	99⅛	100⅛	-0½	-2⅛	10.40
Royal Insce. 10⅞ 92 £	40	100⅛	101	+0⅛	-1½	10.60
J. Sainsbury 10⅞ 93 £	60	†101⅛	101⅞	-0⅛	-0⅛	10.48
Trusthouse Forte 11⅛ 90 £	50	†101	101½	-0⅛	-1⅛	10.64
World Bank 11¼ 95 £	100	108⅛	108⅞	-0⅛	-1½	9.74
CoE 8⅞ 95 LFr	600	*†105	105½	0	0	8.05
EIB 8⅛ 93 LFr	1000	*†105	105⅛	0	-1½	7.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. £ 94	0.08	99.58	99.68	10/10	10.05
Bank of Montreal 96	0.05	100.19	100.29	23/1	5¾
Barclays Bank Perp. 1	0⅛‡	100.60	100.70	2/1	7.06
Barclays Bank Perp. 2	0⅛‡	100.22	100.32	14/8	6⅛
Belgium, Kingdom of 91	0	100.64	100.74	19/2	6.06
BNP 5¼ 95	0.05	*†102.48	102.58	12/1	6.80
Britannia 5 93 £	0⅛	99.96	100.04	8/10	10.39
Chase Manhattan Corpn. 91	0⅛	99.86	99.96	20/8	6.12
Citicorp 98	0⅛	99.27	99.35	29/8	7.19
Credit Lyonnais 5 00	0⅛	100.52	100.62	12/1	6.81
EEC 3 92 DM	0	100.39	100.49	20/8	4.44
EEC 5¼ 93 Ecu	0.0512	†99.94	100.04	30/7	7.46
Halifax Bldg. Soc. £ 94	0.1	100.02	100.11	6/8	10.54
Lloyds Bank Perp.	0⅛	100.66	100.76	9/12	7½
Midland Bank 01 £	0.1	99.80	99.90	7/11	10.40
Milk Mrktg. Board 5 93 £	0⅛	100.01	100.11	26/9	9.94
NatWest Perp. A	0⅛‡	100.79	100.89	9/2	6.94
NatWest Perp. B	0⅛‡	100.79	100.89	19/2	6⅛
New Zealand 5 97 £	0.07	100.17	100.27	14/8	10⅛
New Zealand 5 01	0	100.18	100.28	4/2	6.33
Prudential Corpn. 4 95 £	0.1	99.81	99.91	5/9	9.85
Royal Bk. Scotland 5 Prp.	0⅛	100.51	100.61	11/12	7¼
United Kingdom 5 92	0	100.16	100.26	7/10	7.19
Woodside Financial 5¼ 97	0	99.91	100.01	28/10	6.81
Woolwich 5 95 £	0⅛	99.83	99.93	19/11	10½

Average price changes on day -0.02 on week -0.32

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	265⅛	268⅛	-0⅛	9.35
Fanuc 3¾ 98	1/84	7052	226½	228⅛	+3½	65.90
Fuji Heavy Industries 3 00	8/85	676	123½	124½	-0⅛	1.55
Fujitsu 3 99	5/84	1520	129⅛	130⅛	+0⅛	21.97
Marui 3½ 99	7/84	1362	346	347½	-7⅛	-3.38
Minolta Camera 2¾ 94 DM	2/86	1185	102⅛	103½	0	52.44
Mitsubishi Bank 2⅞ 00	8/85	1760	154⅛	155⅞	+0⅛	4.56
Mitsubishi Elec. 2⅞ 00	1/85	482	†126	180	+10⅛	-3.56
Mitsui Bank 2⅞ 01	4/86	181.9	131¼	132⅛	-0⅛	-10.31
Murata 3½ 00	7/84	2908	177	178½	+3½	27.85
Nippon Elec. 2⅞ 00	1/85	1285	245⅛	247⅞	+7⅛	176.60
Nippon Oil Co. 3 00	5/85	925	180¼	182¼	+0⅛	3.81
OKI Elec. Ind. 3½ 99	10/84	806	153⅛	155⅛	-0⅛	1.38
Sanwa Bank 2¼ 00	10/85	1406	147⅛	148½	+0⅛	-0.57
Sekisui House 3 99	6/84	632	327½	329½	-40½	-17.08
Sumitomo Bank 2¼ 00	8/85	2742	172⅛	223⅛	-0⅛	9.67
Sumitomo Corpn. 2⅞ 99	5/84	595	287	289	-11	7.43
Taiyo Yuden 3¼ 00	3/85	1678	†147½	148½	+8	-0.45
Toshiba Ceramics 3 00	4/85	1734	120⅛	121⅞	+0⅛	0.05
Nippon Oil Co. 2⅞ 92 SFr	3/84	1052	†118	119	+1⅛	8.94
Nippon Shinpan 2 92 SFr	3/84	881	†211	212	-3	10.58
Asics 5 92 DM	10/85	520	130⅛	131⅛	-0⅛	2.40

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AFI calls for less restrictive legislation

By Our Euromarkets Correspondent

THE ASSOCIATION for Futures Investment (AFI), a lobbying body for the futures and options investment industry, yesterday voiced concern that current UK regulation, legislation and taxation provisions for the industry contain confusing anomalies. It also described them as inadequate to stem the flow of business offshore.

The AFI was set up last month to represent futures investment managers, brokers and dealers. About 80 organisations have expressed interest in joining.

The association aims to lobby the authorities for specific legislative changes to enable futures investments to be promoted within the proposed UK Financial Services Act and Authorised Unit Trust regulations.

One of the issues with which the AFI is concerned is the lack of a proper UK corporate form of open-ended company for investing in futures and options.

Under the latest Department of Trade and Industry proposals, authorised unit trusts may invest in such instruments. But the AFI says the envisaged arrangements overly restrict the use of futures in mixed funds. Futures may account for only 10 per cent of a portfolio, for instance.

On taxation, the association said that the Inland Revenue was failing to distinguish properly between investment and trading in futures and options, and the futures investor was penalised as compared with the securities investor.

For instance, an individual investing in futures and options is still regarded as trading, and is subject to income tax on his operations, although he is taxed on a capital gains basis on his investments in shares.

Osaka plans stock futures for next spring

THE OSAKA Stock Exchange, Japan's second largest stock market after Tokyo, will start the first Japanese stock futures trading after April 1 next year, giving up an earlier plan to open the market late this year or early next year, Kyodo reports from Osaka.

The exchange will make a formal decision on the initiation of the market next Tuesday.

It has been decided to begin futures trading after April 1, the first day of fiscal 1987, when the tax on securities transactions is expected to be reduced, lessening the financial burden on investors.

The finance ministry is preparing to reform the nation's taxation system, including a cut in securities transactions tax. The reform is scheduled to take effect beginning fiscal 1987.

The Osaka Exchange plans to index 50 shares for the trading which will allow investors to hedge against price fluctuations by undertaking trading in index futures at given prices tied to a specific future time.

Tokyo licence for Societe Generale

By David Housego in Paris

SOCIETE GENERALE has become the first French bank to be given permission by the Japanese monetary authorities to open a securities house in Tokyo.

The new firm will be operated by Sogen Securities Corporation, a US subsidiary of the bank. However, to comply with Japanese regulations that commercial banks and securities firms must keep their businesses separate, Sogen is disposing of half its capital. The 50 per cent share is being acquired partly by Rhone Poulenc, the chemical group (20.5 per cent), partly by GCE, the electronics group (20.5 per cent) and partly by AGF, the insurance company (9 per cent).

Societe Generale already has commercial bank branches in Tokyo and Osaka.

Zug group to convert bearer shares

By Our Zurich Correspondent

METALLWAREN - HOLDING, of Zug, is voluntarily to convert its bearer shares to registered shares in order to guarantee "its long-term independence and Swiss character."

The main participation of the company, itself controlled by the Weber family, is a majority stake in V-Zug, the house appliance manufacturer.

Peter Montagnon on the fall from favour of the EEC currency

Ecu struggles to regain momentum

THE EUROPEAN currency unit (Ecu), the composite currency of the EEC, appears to have lost its lustre.

After a spurt in new issue activity during the spring which saw new issue volume top Ecu 2bn in April, the Ecu sector of the international bond market is in the doldrums. New issues fell to only Ecu 75m in August and so far this month only one bond, for Ecu 50m, has actually been brought to market.

All this is a setback for those European banks which only a year or two ago were busy promoting the unit as a beacon of stability in an uncertain world and a viable alternative to US dollar investments. Then the response from investors and borrowers alike was very positive and new issue volume rose inexorably.

Now, however, things look different. Worse still, bankers who follow the Ecu market detect a hint of something fundamental in the present malaise which may make it hard for the sector to regain past momentum.

In the background is the radical shift in sentiment towards the US dollar this year. Its weakness in exchange markets has thrown the old hard-currencies such as the D-Mark and yen back into the limelight and this detracts from the Ecu's appeal, especially since falling inflation in Europe has deprived it of its former interest rate advantage.

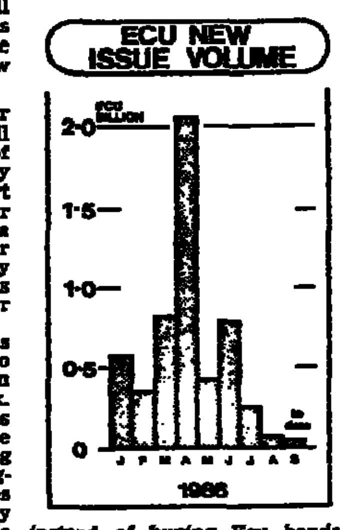
From one perspective the Ecu market is suffering from a complaint with which investment bankers are generally all too familiar. It is still labouring under the weight of excessive new issuing earlier in the year with quite a lot of paper still unsold. Finding buyers now has become doubly hard against the background of a weak New York bond market.

Though an Ecu 75m, 7 per cent four-year issue for Merrill Lynch launched at the end of last month met a reasonably good reception due to its short maturity, even lead manager Kredietbank admitted that a more recent Ecu 50m issue for Finance for Danish Industry was slow to move despite its relatively high coupon of 8 per cent.

One problem, they say, is that Ecu rates have fallen too far to lend the unit appeal in comparison with the D-mark. At the same time the Ecu has been dragged down in exchange markets because of its sterling content. Instead of rising alongside other European currencies it has actually fallen slightly against the Belgian franc this year, being worth only around BFr 43.6 compared with BFr 44.6 at the end of 1985.

This is important because it discourages Belgian retail investors who were the largest buyers of Ecu paper in the early days of the market. Though institutional demand for Ecu paper has been growing it is still not enough to sustain the market on its own. Demand from Japanese investors is still very limited and a flurry of interest in Ecu paper among investors in the US last year has now abated.

Belgian retail buyers have not been flocking into D-Marks



instead of buying Ecu bonds. Bankers in Luxembourg say their Belgian clients are interested in high coupon currencies. They have dabbled in Danish krone though the recent spate of bad economic news has put them off this currency too. Similarly Australian dollar issues are off-limits for the time being. So now they appear to be sitting on the sidelines and building up liquidity.

Ecu bankers hope that sooner or later Belgian buyers will return to their bond market. But the condition would have to be a much wider spread than presently exists between Ecu yields and those on D-Mark issues. In the secondary market this differential is currently around 1½ per cent. This is wide enough for some to hope that investors might soon start to nibble away at Ecu bonds again but a more common view is that the differential would have to grow to over 2 per cent before real demand set in.

That is easier said than done. Without a fall in German rates, it means Ecu yields would have to rise still further. But they are already so high that swaps are hard to arrange and borrowers are being deterred.

The hope is, therefore, that the Bundesbank will eventually cut its discount rate, allowing a fall in D-mark bond yields after which the Ecu market could take off. Until this happens, bankers reckon the Ecu market faces an impasse which will hobble investor demand and stymy new issue volume.

Curiously enough, the slowdown in the Ecu bond market was preceded by a similar fall in activity in the broader bank lending market.

Earlier this summer, the Bank for International Settlements (BIS) in Basle reported that new international bank loans denominated in Ecus grew by the quarterly equivalent of only $3.1bn in the year to March. This is less than half the expansion rate in the six months to March 1985.

A main factor behind this development was a fall in demand for Ecu loans by Italian borrowers, who were the mainstay of the market in its early days. Italy has meanwhile eased restraints on the use of its currency for foreign trade finance and lira interest rates have fallen. That makes Ecu borrowing less attractive.

Also the converging trend of interest rates in European currencies and the progressive deregulation of local capital markets has lesesned the appeal of the Ecu for arbitrage purposes and as a vehicle for circumventing constraints on international capital flows, the BIS said.

If that is true the Ecu will have a hard time living up to its former promise.

FRN with Ecu backing for Italy

BY OUR EUROMARKETS CORRESPONDENT

BANQUE PARIBAS has launched $204m of floating-rate notes secured against fixed-rate Ecu bonds issued by the Republic of Italy in its domestic market.

The deal, which matures in April 1993, carries interest at the mean of the bid and offered rate for three-month Eurodollar deposits in London (Limean) and an issue price of par. The issuer is Republic of Italy Euro-Repackaged Assets Limited, a trust company, which will hold the Ecu bonds as collateral.

Paribas said yesterday it has christened the new instrument Feraris, which stands for floating-rate Eurodollar repackaged assets of the Republic of Italy, and, though the acronym is not quite synonymous with sporty Italian cars, the deal lived up to their reputation for speed. It was trading around par shortly after launch, well inside its 10 basis point fees.

The French bank said it acquired the Ecu bonds around two years ago and has been holding them since then in the expectation of a fall in rates. They comprise an Ecu100m holding of 9¾ per cent bonds due April 1993 and a similar holding of 9.6 per cent bonds due February 1993.

The swap was possible because, at the time of launch, Ecu bonds on the Italian domestic market were trading at a premium to Euro-issues due to their lack of liquidity. Since then the differential has disappeared, which would make it difficult for the mechanism to be copied.

UK COMPANY NEWS

All-round growth lifts Booker 21%

CONTINUING GROWTH in all its three main activities enabled Booker, the agribusiness, health products and food distribution group, to lift pre-tax profits by 21 per cent from £17.64m to £21.38m in the first half of 1986.

Turnover rose 6 per cent from £530.1m to £563.8m. In the US sales were £11m lower at £33.2m following the disposal of American Health and the decline in the value of the dollar but profits increased by 39 per cent to £10.7m. UK sales increased to £525.5m (£481.1m) and profits to £9.1m (£8.1m).

Earnings per 25p share increased by 14 per cent from 8.97p to 10.23p and the interim dividend is raised to 4.75p (4.25p) net—shareholders will be offered the option of receiving additional shares instead of a cash dividend. Last year's total payment was 12p on £46.54m taxable profits.

Mr Jonathan Taylor, chief executive, said yesterday that Booker's three main activities continued to make good progress, and the outlook for the full year was encouraging.

As a result of recent acquisitions and disposals, group profit is somewhat more evenly spread over the year. For instance, in contrast to food, wholesaling, the profit contribution of the recently acquired seed companies falls almost entirely in the first half.

Mr Taylor said the disposal of the Budgen food retail chain now enabled Booker to concentrate on wholesale food distribution. Recent investments continued the group's policy of seeking leading positions in expanding markets.

Booker had realised some £85m from divestments and invested some £35m in new acquisitions. The group thus remained strongly placed to make further acquisitions.

Booker's agribusiness profits rose by 27 per cent to £14m on turnover of £78.5m (£69.8m). In the US, Nicholas Turkey had a very good first half while Arbor Acres continued to increase sales, profit and market share. In the UK, the two seed companies, Charles Sharpe and Hurst, performed particularly well; the integration of their activities wil be completed by the end of the year. Results of other UK agribusiness activities were satisfactory and in line with expectations.

Health products profits increased from £1.4m to £2.6m, on reduced sales of £47.8m (£50.9m). Booker Health Foods had a buoyant first half with sales up 18 per cent and stronger margins compared with the same period last year. Profit from Kingswood Chemists increase and, in the US, the 48 per cent owned P. Leiner, made excellent progress raising profit by 57 per cent compared with a subdued first half of 1985.

In food distribution, profits advanced by £1.1m to £3.5m on turnover ahead of £422.1m (£395.7m). Cash and carry increased its sales by 10 per cent in a competitive market while delivered catering sales by Booker Food Services rose by 12 per cent, extending the proportion of sales in this growing and profitable sector.

These gains were offset in part by the disposal of the group's delivered wholesale volume to retail outlets in the northern part of the country. The profit contribution from Budgen was very strong in the first half prior to its disposal.

Profits from other activities fell slightly from £2.8m to £2.5m as a result of the timing of dividends received from Hero in Brazil. Plenty continued to perform well despite a difficult trading environment in the oil sector.

First-half interest charges increased from £1.65m to £2.2m. Tax took £7.37m (£5.28m) and after minorities of £0.95m (£1.01m) and an extraordinary charge of £85,000 (£1.66m) attributable profits were up 34 per cent from £9.7m to £12.98m. Dividends absorb £6.09m (£5.39m).

The shares closed 5p lower at 355p yesterday.

Willis Faber surges to £48m

A NEAR 50 per cent rise in pre-tax profits, from £32.6m to £48m, was reported yesterday by insurance brokers Willis Faber for the first half of 1986.

The interim dividend is lifted 40 per cent from 2.5p to 3.5p, but Mr David Palmer, the chairman warned that this partly reflected the policy of reducing disparity between interim and final dividend.

The group's brokerage income rose by 27 per cent, while expenses climbed by only 23 per cent. Both the wholesale and retail broking activities, worldwide, showed strong overall growth in income and profit.

Profits attributable to shareholders amounted to £28.58m, against £18.05m, with earnings per share up by 58 per cent to 17.07p.

Growth in reinsurance business was satisfactory but it was constrained by the shortage of underwriting capacity.

The increase in expenses was exacerbated by the escalating costs of professional indemnity insurance and the increase made by the group in its bad debt provisions—a move made in the light of difficult world conditions.

Under the terms of divestment of Lloyd's managing agencies, the group received £2.4m relating to profit commission on the 1983 underwriting account, compared with £1.1m for the previous year.

The group's investment income growth was hit by falling interest rates. However the hedging policy of the group, with selective forward selling of foreign currency income benefitted the profits of the UK broking subsidiaries by around £4m.

The contribution from the group's holding in Morgan Grenfell amounted to £11.1m based on the profits forecast in the offer document, compared with £5.7m last year—the figures not being strictly comparable because of a change in the basis of accounting.

The full year's results would make the adjustments. In June, Willis Faber subscribed for an additional four million shares at a cost of £20m.

Mr Palmer warned that the rate of growth in the second half of 1986 was likely to be lower than that achieved in the first half.

● comment

Willis Faber continues to produce results which fulfil or exceed market expectations and this year's very good interim figures are better than anticipated. Brokerage income continues to grow strongly thanks to rate hardening worldwide and new business growth, though there are capacity problems with reinsurance. The group's currency hedging policy has paid off this time, offsetting the adverse effects of a weakening dollar. The Lloyd's managing agencies continue to ship in with useful profits, while Willis Faber has stopped the rot on its insurance company operations. The expectations for the rest of the year are encouraging, but not expected to be dramatic, even though there is more to come from the group's holding in merchant bankers Morgan Grenfell on top of the £11m taken in at the interim stage. Overall the group should lift pretax profits for 1986 by a third on last year and earnings per share should reach 28p. The prospective p/e of 13.5 on a share price up 29p to 446p reflects this growth potential.

Pearson up 6% despite sharp fall on oil side

BY CHARLES BATCHELOR

Pearson, the industrial, banking and publishing group, raised pre-tax profits by 6 per cent in the first six months of 1986 despite a sharp downturn in the performance of its oil and oil services division.

Profits of the group, which own the Financial Times, were £44.1m compared with £41.7m in the first half of 1985. City analysts said this was in line with expectations given the well-publicised problems of the oil industry.

Analysts said they now expected Pearson to make a profit of £120m-£121m in the year as a whole. Pearson's shares closed 2p lower at 533p.

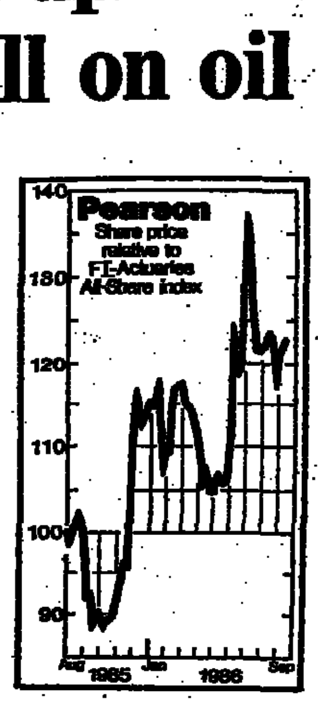
The figures followed a 10 per cent rise in pre-tax profits in 1985 to £109.3m.

Lord Blakenham, Pearson's chairman, said the profits gain had been "achieved despite the weakening of the dollar against sterling which affected the figures adveresely since a significant part of the group's profits arise in North America."

In the first half the information and entertainment division, the group's largest, made profits before interest of £20.6m compared with £14m previously, on turnover up from £216.2m to £250.7m.

The three arms of the Lazard merchant banking business, in London, Paris and New York, also produced excellent results from high levels of takeover and new issue business, the group said. Profits rose from £9.8m to £13.7m.

Mr James Joll, finance director, said the main improvement in the information division had come from the Financial Times where circulation was at record levels, advertising income was high and production of the paper was running very smoothly.



The division also benefited from the absence of losses from Goldcrest, its film production associate, which contributed a total loss of £8.5m last year, including £500,000 in the first half.

Elsewhere in the information division, Westminster Press, the provincial newspaper group, continued to recover while the Longman book publishing operation also did better.

Despite the impact of lower oil prices Camco, Pearson's US-based energy services company, nevertheless had an outstanding performance as many comparable US companies made losses during this period, Lord Blakenham said.

The oil division's profit fell from £10.5m to £3.9m on turnover down from £70.2m to £55m.

Profits of the fine china sector remained about the same, at £7m compared with £7.1m previously. This division was not helped by the weakness of the dollar, which depressed US sales, and the smaller number of American tourists. Turnover fell from £72.7m to £69.4m.

The profits of the engineering division fell from £7.3m to £4.7m due partly to the sale of Fairey Engineering, announced in April. Turnover in this sector fell from £89.1m to £77.2m.

Group turnover in the six months totalled £455m compared with £450.5m. The net interest charge fell from £7.3m to £6.5m because of lower interest rates and the contribution of the proceeds of the Fairey sale. Tax totalled £18.2m (£18.3m) leaving net profit after minorities of £24.3m (£20.7m) and earnings per share before extraordinary items of 12.4p (11p).

The interim dividend is 5p (4.25p) net reflecting the group's policy of paying an interim equal to half the dividend of the previous year.

Barclays Bank gets US listing

Barclays Bank announced yesterday that it had become the first British bank to get its shares listed on the New York Stock Exchange and the first British bank to achieve 24-hour trading in its shares.

The New York Stock Exchange announced yesterday that it had approved the listing of Barclays Bank shares under the ticker symbol BCS. The company is isting its shares in the form of 181,858,422 American Depositary Receipts (ADR). Each ADR will represent four ordinary shares.

Barclays, which listed its shares in Tokyo in August, said that the listing will give it greater access to US capital markets. The bank yesterday held a presentation for US institutional investors at New York's Pierre Hotel and will make similar presentations in other US financial centres.

Two more companies—Hillsdown Holdings, the food processor and distributor, and Cement-Roadstone Holdings, Ireland's largest industrial group, also announced they are to have their shares traded in the US in ADR form.

Hillsdown, which has been expanding rapidly by acquisition in recent months, said negotiating the establishment of an ADR facility in the US was to make dealings in its shares easier for US investors

It does not plan to make a public offering of its shares, however, and the ADRs will be traded on the over-the-counter market. The Bank of New York has been appointed depositary agent.

Alfred McAlpine at £7m

BY TERRY POVEY

Alfred McAlpine, the building, civil engineering and minerals group, has announced pre-tax profits ahead by just over £200,000 to £7m on turnover up £38m to £193m for the six months to April 30.

Mr Bobbie McAlpine, chairman and chief executive, said yesterday that the results were not comparable with the earlier period as the company had sold its South African subsidiary in the meantime. "Last year South Africa contributed £2.2m to the first half profits but only £6m to turnover," he said.

Continuing businesses were therefore ahead from £4.6m to £7m on turnover up from £149m to £193m. "The rise in turnover reflects the greater level of winter activity," said Mr McAlpine.

After tax McAlpine's profits were £4.62m (£4.25m) and earings per share were 12.8p (11.7p). Not included in these figures is the £14.8m surplus over book value arising from the £20m cash sale of the South African unit. This is to be taken in the second half as an extraordinary item.

In the UK, the mineral division has been expanded by the acquisition of Concrete Masonry. The company plans to expand in the US so as to replace the loss of its South African overseas earnings and the $12m Becker Sand and Gravel purchase was made in March.

Mr McAlpine added that: "We are concentrating on looking for a US acquistion, especially in construction and or mineral distribution. About 40 per cent of our fixed assets are in the US."

The company in a statement has inidicated that second half figures will in general be stronger than those in the opening period from now on. The shares closed down 1p at 447p.

Keep Trust in motor expansion move

Keep Trust, motor dealer, general engineering group, pushed profits up by 21 per cent from £764,000 to £923,000 pre-tax for the first half of 1986 from turnover nearly £5m higher at £38.1m.

The directors also announced an agreed bid for motor distributor, Batchelor Bowles of 310p cash per share — or a loan note alternative — which values the company at £2.79m.

After tax of £323,000, against £265,000, earnings per 25p Keep share were given as 8.8p, compared with 6.4p, a rise of 34.4 per cent, reflecting the benefits from the company buying in just under 15 per cent of its own shares last year.

The directors stated that they were cautiously optimistic about the outcome for the full year and were lifting the interim dividend by 20 per cent to 2.20p (1.88p)—last year's final was 2.625p from pre-tax profits of £2.18m.

Batchelor Bowles' branch in Leicester is one of the largest General Motors' (Vauxhall, Bedford, Opel) distributors in the country, the directors said. For the year ended March 31 1986 group turnover was £22m and profits achieved came to £588,000 pre-tax.

Keep, which already distributes General oMtors products in Bristol, Aldershot, Redhill and Dorking—as well as Ford products in Huddersfield and VAK in Dorking—said the acquisition "if this valibre will considerably enhance Keep's existing motor interests."

The offer is unanimously recommended by Batchelor's directors—undertakings amount to 6.4 per cent of the capital—while holders of a further 60.5 per cent have given similar undertakings.

Ricardo profit expands by 30%

Pre-tax profits of Ricardo Consulting Engineers expanded by 30 per cent from £2.12m to £2.77m for the year ended June 30 1986, after £1.26m against £801,000 at midway. Revenue advanced from £13.76m to £16.87m over the 12 months.

Earnings per share were shown ahead from 9.2p to 11.8p while the dividend is stepped up to 3.25p (2.75p), with a final distribution of 2.25p, the total amount absorbing £468,000 (£395,000).

Transport sector holds back Laird profit growth

BY PHILIP COGGAN

A SHARP fall in the transport division held pre-tax profits at the Laird Group to £13.4m in the six months to June 30—a rise of just 2.4 per cent.

Group turnover was down sharply from £208m to £165m and an increased tax charge caused by a greater overseas profits contribution caused earnings per share to slip from 11.2p to 10.5p.

The transport division was hit by the lack of train deliveries although the £180m of orders won in 1985 encourages Laird to believe that profits will pick up next year.

The other problem areas were the specialist engineering division, which faced reduced demand for mining equipment and the services division, hit by lower margins on US plastics distribution.

The sealing systems division proved to be the star of the group and its profits increase more than made up for the problems of the other sectors. Demand was particularly strong in Germany and Laird is now the leading European manufacturer of automotive sealing systems.

At the end of last year, Laird had a cash balance of £30m and there was much speculation that the group would use the money to acquire a "fifth leg." Instead, around £20m will be spent this year developing the existing businesses, notably the sealing systems division.

The tax charge was £5.1m (£4.3m). Although the company is increasing the interim dividend from 2.4p to 2.9p, that is partly to reduce the disparity between interim and final and it remains cautious about full-year prospects.

The shares closed down 2p at 242p.

MIM exercises control over Britannia

By Clive Wolman

MIM, the investment management company headed by Mr David Stevens, yesterday consolidated its control over investment management operations of Britannia Arrow Holdings, the company with which it merged in June.

The formal merger was announced of Britannia Unit Trust Managers with MIM Unit Trust Managers. The combined group will have nearly £1bn under management in 31 unit trusts on sale to the public, making it the eighth largest unit trust group in the UK. The total funds under management, including pension funds and investment trusts, amount to over £8bn.

Six Britannia unit trusts, covering gold, US smaller companies, US high yielding stocks, Europe, Japan and an exempt trust for pension funds, are to be merged with the six MIM trusts covering the same areas.

During and since the merger of Britannia and MIM, several Britannia fund managers have left and Britannia's assets have been increasingly transferred to former MIM managers, who have generally had much stronger investment records. The chief executive of Britannia Arrow, Mr Michael Newman, was forced to resign last month and Mr Paul Field, head of Britannia Unit Trust Management, has also resigned.

Trade Promotion on bid trail

Trade Promotion Services Group expects to announce the acquisition of a medium-sized company in the exhibition industry within a few weeks.

The group, which yesterday reported 27 per cent higher profits for the year to end-April 1986, said the announcement would be in time for the AGM on October 22.

The taxable result for the period under review was £975,000, up from £767,000.

Trade Promotion said it was considering expansion both within and outside the group.

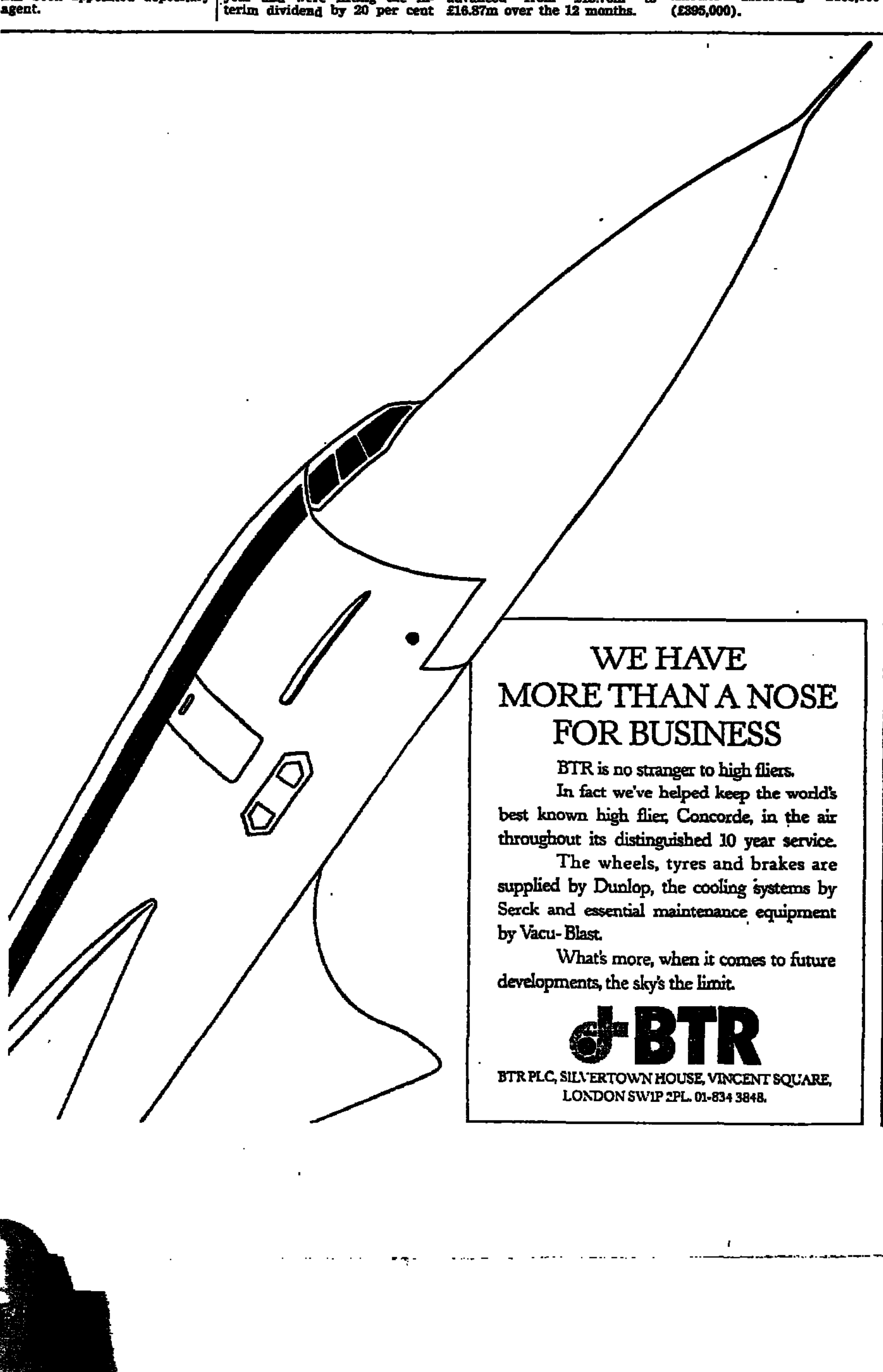
The deal would be split between cash and Trade Promotion shares.

An increased final dividend of 3.2p is being recommended, making 4.35p (3.8p) for the year.

Cantors climbs to £0.9m at year-end

Cantors, the Sheffield-based retailer of general house furnishings, carpets and bedding, increased its second half pre-tax profits from £424,000 to £714,000, and profits for the full year to April 26, 1986 were substantially higher at £976,000 compared with £338,000.

Group turnover, excluding VAT, rose from £22.25m to £28.2m. The final dividend is unchanged at 1.5p net, but the total is raised from 2p to 2.25p. Stated earnings per 20p share were 12.71p



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UK COMPANY NEWS

Panel enters T&N/AE battle

By David Goodhart

THE Takeover Panel has intervened in another end-of-the-ever-slanging match gently admonishing the engineering group AE for an apparently unjustified criticism of the bidding company Turner & Newall.

Sir John Collyear, chairman of AE, last week raised the question of why T&N "has not commented on trading in the first six months of their year."

T&N complained to the Panel that AE was trying to question the quality of its interim results while knowing that the company was in fact precluded from making a forecast under Rule 32.1 of the Panel's Code.

That rule states that no announcements "which may increase the value of the offer" may be made after a final offer has been made.

Yesterday the Panel announced that: "It is well known to the advisers to both Turner & Newall and AE that any material comment by Turner & Newall on trading in the first six months of their year is now not permitted under Rule 32.1 of the City Code on Take-Overs and Mergers."

Last May Turner & Newall said that profit on ordinary activities and earnings for the group for the year ending December 31 1986 would be greater than the previous year. By making its final offer for AE on August 12 it has subsequently been unable to provide any more details.

AE, however, stresses that T&N could have elaborated on its bare forecast at any point between the offer being made on June 20 and the final increase on August 12 but chose not to do so.

Hill Samuel, AE's advisers, said yesterday: "Shareholders in Turner and Newall and in AE must draw their own conclusions about Turner & Newall's decision not to do so."

Mr Richard Crick, of Hill Samuel, said that on August 4 he raised the issue of the unacceptability of T&N publishing its interim results in early September as they did last year but had made no attempt to block a forecast prior to a final offer.

The outcome of the bid is still expected to be very close. T&N has just under 39 per cent in purchases or commitments from AE shareholders but AE now says that some of those who committed their shares have now withdrawn. Closing date is Friday.

Exchange rates boost Checkpoint Europe

Favourable exchange rates have boosted taxable profits of Checkpoint Europe, the USM quoted Jersey-based distributor of electronic surveillance devices, from £116,000 to £662,000 for the year ended March 31 1986.

Sales for the period rose from £5.2m to £7.71m and they show a 17 per cent gain for the first quarter of the current year.

Newman Inds. rises but closure costs lift gearing

BY ALICE RAWSTHORN

Newman Industries, manufacturer of industrial fasteners and electrical motors, yesterday announced a 10 per cent increase in pre-tax profits to £2.35m for the first six months of the year.

The increase was gleaned despite difficult market conditions in almost every area of activity.

Turnover rose marginally to £44.66m (£44.42m). Operating profits increased to £3.96m (£3.77m) and the interest charge fell slightly to £1.34m (£1.45m).

Earnings per share rose to 0.8p (0.6p) and the directors propose to pay an interim dividend of 0.5p a share, against 0.3p previously.

Newman closed its loss-making Yate foundry in early June. All the costs of the closure have been allowed for in these interim figures.

Largely as a result of the closure, gearing has increased from around 60 per cent at the year end to between 80 and 90 per cent.

"The conditions in which we operate are very difficult, but we have grown accustomed to difficult conditions in the last few years," said Mr Nigel McLean, Newman's chairman.

"It has been a long haul for the company but we believe that the cost cutting and improvements in efficiency made in the 1980s are beginning to pay off."

Avdel, the assembly systems division, fared well in the UK and on mainland Europe in the first half but suffered from a contracting market and intense competition in the US.

The electrical motors division also faced the problem of contracting markets but Newman hopes to buoy sales with the introduction of a new range of products.

Although Yate operated at a loss for the first five months of the period, until its closure in early June, the engineering division showed an improvement, largely because of a more flexible foundry production programme and greater efficiency.

The land development programme is now almost completed. The Yate closure should provide further space for development.

Newman's shares have recovered slightly in recent months on the news that Mr David Abell's Suter has been building up a stake.

Suter now holds just over 9 *per cent of Newman's equity,* but, according to Mr McLean, has not yet announced its intentions.

● comment

Newman has been mooted as a recovery stock for so long that the City has every reason to become more than a little impatient as recovery slips ever further out of sight. The company has demonstrated its ability to grapple with costs and improve efficiency but it is still *hampered by stagnant markets.* Avdel, which almost single-handedly hauled Newman out of the doldrums in the mid-1980s, has run into problems in the US and analysts anticipate more modest profits growth for the next year or so. In motors the company *is poised* to unveil its new range of products, but into a distinctly unreceptive marketplace. With the Yate closure it has stemmed the worst of the engineering losses, but the rest of the division is still struggling into profit. The City expects profits of £5m for th efull year producing a prospective p/e of 15 on yesterday's share price at 34p. Thus the multiple allows not only for recovery but for bid interest too.

Salvesen sells another housebuilder for £12.6m

BY DAVID GOODHART

Christian Salvesen has sold the second of its five housebuilding subsidiaries to Westbury for £12.6m in cash.

The food distribution and industrial services group announced in July that it was pulling out of housing and hoped to realise £50m from the sale of the whole division.

The first sale was to C. H. Beazer—also for £12.6m—but although more than £25m has already been realised with three more subsidiaries to sell, some analysts believe Christian Salvesen may struggle to reach the £50m figure.

The Yorkshire and Midlands subsidiaries—the two sold—are larger and more valuable than the others in Lancashire, Chester and Scotland.

Westbury is paying for the Midlands operation through a vendor placing of 8.1m new shares of which 25 per cent are being placed with investors in industry. The acquisition is made with the benefit of profits earned since April 1.

Mr Michael Gow, the Salvesen company secretary, said, however, that Salvesen was receiving £2.5m in addition to the sale price — that sum representing the value of the working capital that Salvesen has put into the building company since March 31 1986 when its net assets were £9m.

In the year to March 1986 the turnover of the Midlands division was £12.9m and the operating profit was £1.48m. The houses are prelominantly detached and aimed at the top end of the maret.

The Midlands division is expecting a profit before tax of not less than £2m for the 11 months to February 28 1987. The Westbury directors estimate that the operating profit for the six months to 31 August 1986 was £3.6m, an increase of

Stonehart boost for IBC after only two months

International Business Communications yesterday reported a 92 per cent increase from £418,000 to £804,000 in pre-tax profits for the six months to June 30, 1986. The figures included a two-month contribution by the recently acquired Stonehart Publications.

Pro-forma results, taking in a full six-month contribution by Stonehart, showed turnover up at £8m, compared with the *actual figures of £5.94m* (£2.62m), and profits at £1.2m.

The interim dividend will be 0.75p net as indicated in the circular sent to shareholders at the time of the company's full listing in January.

The good progress that the group was now making led the board to believe that the final dividend would be larger than that indicated at the time of the circular.

IBC's full listing was via the reverse takeover of the RTD *Engineering Group,* which has since undergone rationalisation. Two southern RTD plants are being sold to Mr V. K. Burley, who is resigning as a group director. RTD now only accounts for 17 per cent of the IBC turnover, and 12 per cent of profits.

Ipeco at £1.6m midway

Ipeco Holdings, one of the world's leading makers of aircraft crew seats, yesterday produced its first set of results since its flotation in April.

Mr Christopher Johnson, the chairman, said a pre-tax profit of £1.6m for the first half of 1986 compared favourably with £2.96m for the whole of 1985, when first- and second-half profits were £1.84m and £1.12m respectively, due to the timing of deliveries against major contracts.

The chairman described the performance as satisfactory and said this year's result mainly reflected the increasing success of Ipeco's crew-seat activities and a significant interest contribution of £598,000 (£101,000).

After tax of £580,000 (£764,000) earnings per 10p share were 4.1p (4.6p) and there is an interim dividend of 1p net.

The company was continuing to examine further opportunities for both internal and acquisitive growth on both sides of the Atlantic in areas associated with its present manufacturing interests.

In particular, an acquisition was being considered in the US

BET/HAT

The first closing date in BET's £117m bid for HAT Group is September 18 and not this Friday as reported yesterday. *The final closing date* unless there is a competing bid will be September 26.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Blackwood Hodge int	0.5	Nov 14	nil	—	nil
Booker ....int	4.75	Jan 2	4.25	—	12
Canters	1.5	Nov 6	1.5	2.25	2
Dialene‡	3	—	—	3	—
Dwek Group ....int	1.5	Oct 13	Nil	—	Nil
Expamet† ....int	2.7	—	2.35	—	5.9
Fitch & Co ....int	2.2	—	2	—	6.1
Hawley Group¶ ...int	2.1	Jan 29	1.75	—	4.6
Hestair ....int	1.7	—	1.5	—	3.83
IBC ....int	0.75	—	—	—	—
Intereurope Tech	4	Oct 31	3.7	5.8	5.4
Ipeco ....int	1	Nov 12	—	—	—
Keep Trust ....int	2.25	Nov 14	1.88	—	4.5
Laird Group ....int	2.9	Dec 1	2.4	—	6
LMS	1.8	Nov 8	1.5	2.55	2.2
Lopex ....int	1.8	Oct 24	—	—	—
Lowe Howard-Spink int	2.7	—	2	—	6
Alfred McAlpine ...int	4	Oct 24	3.8	—	12.5
Merchants Tst ....int	2.1	—	1.75	—	3.75
Newman Inds. ....int	0.5	Nov 3	0.3	—	0.8
Pacific Sales	2	—	2	3	3
Pearson ....int	5	—	4.25	—	10
Polypipe‡	1.1	Oct 23	—	1.65	—
Provident. Fin ....int	4	Oct 22	3.33*	—	10.83*
Ricardo Consulting ...	2.25	Oct 31	1.88	3.25	2.75
Senior Eng ....int	0.87	—	0.83	—	1.7
Sigmex Int‡	0.53	—	—	0.53	—
Trade Promotion	3.2	—	2.75	4.35	3.8
Willis Faber ....int	3.5	—	2.5	—	5.63

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ US cents throughout.

UK COMPANY NEWS

Savoy hits £5m despite a shortfall in tourism

Savoy Hotel, owner of a clutch of prestigious upmarket hotels in London and Paris, felt the impact of a lack of US tourists to the capital during the first six months of 1986 but for the period still managed a profits rise of £305,000 to £5.03m pre-tax.

May was a particularly slack period for tourism and August was also a poor month.

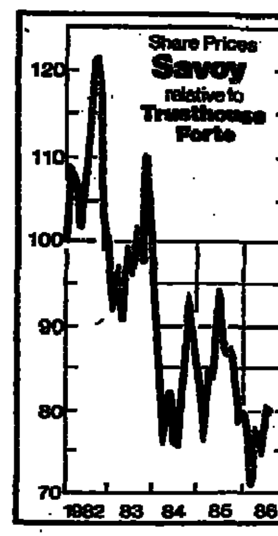
However, the directors said yesterday that bookings for the remainder of the year looked satisfactory and added that they would be disappointed, barring any unforeseen incidents, if full year figures fell short of 1985's £10.71m.

During the half year some £4m was spent on capital improvements, a further £2.2m being spent on repairs, maintenance and renewals.

The car hire business of Patrick Barthropp was acquired during the period and amalgamated with Camelot Car Couriers to form Camelot Barthropp, now Europe's leading chauffeur driven car business and now wholly-owned by the group.

July saw the £4.75m acquisition of the Lygon Arms, a 62-room, fifthteenth century inn in Broadway, Worcestershire.

Total receipts for the opening six months pushed ahead from £27.82m to £29.49m. Trading expenditure accounted for £23.72m, against a previous £22.43m, and depreciation for £1.04m, up from £890,000.



Trading profits worked through at £4.74m, compared with £4.51m, to which investment income added £357,000, an improvement of £69,000. Interest charges were little changed at £59,000 (£66,000).

Tax rose to £1.6m (£1.5m) and left the net balance £200,000 ahead at £3.43m. Minorities accounted for £14,000 (£20,000).

Attributable profits emerged at £3.42m, against £3.21m, equal to earnings of 12.07p (11.32p) per 10p A share and 6.03p (5.66p) per 5p B share.

Trusthouse Forte, the much larger hotels and catering chain which has being trying to take over the Savoy group for a number of years, owns 69 per cent of the group's A and B shares, although the split voting structure gives THF only 42.3 per cent of the total votes

Commenting on Savoy's results, Mr Donald Main, THF finance director, said the figures were very much in line with what THF expected, given Savoy's past record.

He added: "Our calculations lead us to believe that we can achieve significantly higher sales and profits from these assets, that would make them justify the value which we have placed on them.

"We would be aiming to approximately double their earnings."

Mr Main pointed out that THF had "a number of ways of improving their sales performance" in mind, based on what THF had achieved in comparable hotels in terms of sales per bedroom.

He concluded: "We believe a lot could be made of them. When we get control, we will."

Hawley earnings advance in first half

Hawley Group, Mr Michael Ashcroft's cleaning and industrial services group, yesterday released its first set of results in US dollars. These showed almost doubled pre-tax earnings of $25.25m (£17m) for the first half of 1986, against $13.78m last time, with the major part of the increase due to internal growth by the mainstream trading companies.

Net sales rose 21 per cent from $231m to $279.95m (£188m). After tax of $3.86m ($2.58m) earnings per common share increased 29 per cent to 6.6 cents (5.1 cents).

However, Mr Ashcroft said yesterday that such an exceptional rate of increase should not be expected for the year as a whole, because of the issue of convertible preferred stocks and the short-term effect of the acquisition of Pritchard Services Group.

The Pritchard acquisition has doubled the size of the group, making Hawley one of the largest service groups in the world. Mr Ashcroft said the integration was proceeding well and would bring substantial benefits to the group in the future.

No contribution has been included for the period from Pritchard which will be consolidated for the first time in the second half.

Explaining the switch to dollars in the interim statement, Mr Ashcroft said that the board believed this better reflected the group's international status and in future Hawley would continue to account and report earnings in dollars. Since 1984, the company's shares have been dollar-denominated and dividends declared in cents.

The group has announced a scrip issue of one new common share for every 80 shares held, with the option of an interim dividend cash alternative of 2.1 cents (1.75 cents).

● comment

Michael Ashcroft doubled the size of the Hawley Group through the agreed £145m bid for Pritchard in June. Even more recently he briefly muddied BET's waters in its double-header bid for Brengreen and HAT Group. In cleaning, Hawley has now nosed in front of OCS to take the lead in the UK and lies second to Servicemaster in the more fragmented US market. The expanded group's sales should be in excess of $1bn a full year but Mr Ashcroft will have his work cut out to significantly improve on Pritchard's 3½ per cent pre-tax margins. For the full year Hawley should make $75m—of which some $12m will come from a maiden Pritchard contribution. A prospective multiple of less than 9 on the shares at 112p ($1.67) reflects City caution where Hawley and cleaning is concerned and the apparent certainty of earnings dilution this year.

Cautious outlook at Fitch & Co

By Philip Coggan

TOUGHER competition restricted profits growth at Fitch and Co Design Consultants to 1.1 per cent in the six months to June 30. Although the company remains cautious for the second half, it is looking forward to faster growth next year.

Pre-tax profits were up from £737,000 to £745,000 on turnover up from £4.2m to £4.7m. After tax of £283,000 (£324,000), earnings per share rose 11.1 per cent from 8.1p to 9.0p. The interim dividend is being increased from 2.0p to 2.2p.

Fitch regards these latest figures as representing a "transitional phase" in which money is spent on capturing new contracts, such as Midland Bank, and on new divisions, such as a department specialising in corporate identity. As part of the development, staff numbers have topped 300 and salaries have been increased

The redesign of Debenhams' stores is one of Fitch's most important contracts.

Dialene jumps 48%

DIALENE, the plastic injection moulder which came to the USM last December, achieved a 48 per cent rise in pre-tax profits for the year to May 31, 1986.

With turnover 22 per cent ahead from £3.97m to £4.85m, the pre-tax result improved by £317,000 to £984,000. The 1985 figures are as adjusted for the USM prospectus.

A final dividend of 2.9p was forecast at the time of flotation, and the directors are now recommending a 3p payment for the year. Earnings per 25p share are shown up from 17.6p to 20.1p.

The directors said the company held a strong position in the industry. particularly through the introduction of new lines. This year they intended to introduce an even greater number of products.

Dialene continued to operate a policy of substantial capital investment, they stated.

Second half setback halts Sigmex's growth record

DIFFICULT market conditions in the second half of the year have halted the 12-year continuous growth record of Sigmex International, the European electronic systems engineering group.

Turnover for the year to July was slightly down at £11.84m (£11.86m) and this, coupled with increased operating costs, resulted in pre-tax profits of £236,000, significantly lower than the £1.16m achieved in 1985. Continued investment in developing the group's system engineering activities has resulted in a record order book, but this is not reflected in the results.

The group, which provides high performance computer-graphics and image display products and systems for use in the industrial, military and scientific markets, increased its overseas trade by 40 per cent last year.

Overseas trade now accounts for a record 46 per cent of turnover compared with 33 per cent in 1985.

The group has secured contracts to supply NATO's war headquarters information display system, and to develop and supply a weather information system for the Royal Netherlands Air Force. Half of these contracts are due to be completed in the coming year.

The group, which has subsidiaries in Germany, France and the Netherlands, came to the Unlisted Securities Market at the end of last year. The directors have recommended a dividend of 0.53p per 10p ordinary share. Stated earnings were 2.25p against 12.61p.

Falling oil and gas prices hold back LMS profits

IN SPITE of the adverse effect of declining oil and gas prices during the latter part of the year pre-tax profits of London Merchant Securities, investment holding concern with interests in property, oil and gas and leisure, eased ahead from £16.49m to £17.21m for the year ended March 31, 1986.

In December the directors said that profits were showing continued growth in the second half, but that the dollar exchange rate and the level of oil and gas prices would have some bearing on the final outcome. In the event the contribution for the latter six months slipped from £8.97m to £9.89m.

In the light of prevailing conditions the group's oil and gas investments have been reassessed and realistic provisions made, the directors explained.

There has also been incorporated the effect of the transfer, after year-end, of the North American oil and gas interests for shares in Carless Capel.

The resultant charge to capital reserve of £10.8m and an unrealised currency exchange loss, are reflected in the fall in shareholders' funds of some £6m to £167.4m (£173.5m).

After tax of £7.61m compared with £5.48m, and minority interests of £1.89m (£1.68m), the attributable balance came through down at £7.72m, against £9.34m.

Earnings per share were shown as 4.83p (5.84p) basic and 3.41p (3.98p) fully diluted while the dividend is stepped up to 2.55p (2.2p) with a final payment of 1.8p.

UK COMPANY NEWS

Static six months for fast-expanding Expamet

FAST-EXPANDING Expamet International had a static opening six months with profits rising by just £27,000 to £2.24m at the pre-tax level.

The lower-than-hoped for figures were brought about by a very slow start by Bat Building Products and by continuing losses at Industrial Building Components.

However, the directors said they were confident the group would sustain a positive growth record.

As part of its planned diversification strategy Expamet recently acquired a clutch of security companies — Apt Controls and Mayor Turnstiles and Phoenix Controls, Hoseworth and Maximal.

Yesterday, the directors announced that the group had moved into a third segment of the security market via the acquisition for £2.5m in cash and shares of Videoscan, a leading supplier of CCTV security systems to the UK retail sector. Further consideration would depend on profits.

Group turnover for the six months to June 30, 1986 improved from £24.73m to £27.52m.

Earnings amounted to 6.13p (6p) after tax of £805,000 (£880,000) and in line with the forecast made at the time of the £8m acquisition of Metal Industries from Thorn EMI in June, the interim dividend is being lifted from 2.35p to 2.7p on the capital enlarged by the £9.2m rights.

The directors said that Bat was currently trading at a satisfactory level and after major reorganisation IBC was now showing real improvements and was expected to be trading profitably by the year-end.

The group's full year results would also benefit from six months' contributions from the security acquisitions.

Of the £2.5m paid for Videoscan, £1.25m was paid on completion. The balance, also in cash and shares, has been deferred until March 1987.

● comment

Expamet gives all the appearance of treading water with these interims. The proverbial problems at IBC, losses of £200,000 once again, were added to an even worse winter performance by BAT Building Products (£150,000 down) which were almost exactly offset by growth in expanded metals. The fact that the City was expecting a drop at the halfway and instead got a steady result helped keep the shares up at the 173p level. The acquisitions made in the last eight months should produce enough to get Expamet back to the £5½m forecast for the unexpanded group earlier this year. However, the £15.3m cash and shares used will hardly be washing its face if £700,000 is all it can add in a six month period. With the rights just behind it, Expamet is limited on acquisitions by its self-imposed 35 per cent gearing ceiling. As purchases in the security sector are more highly rated than the group overall, further expansion in this better margin sector could be slowed. At present levels the shares enjoy 5.5 per cent prospective yield support on a forecast yearly payout of 6.75p. However, the dividend is under twice covered and the £2m payout cost leaves precious little for the war chest.

Overseas activities aid Lopex profit rise

THE OVERSEAS operations of marketing services group Lopex accounted for 48 per cent of its pre-tax profits for the six months to June 30. Group profit, which was relatively static in 1985, rose 26 per cent from £1.2m to £1.51m on turnover up from £49.95m to £53.72m. Earnings per share rose from 4.54p to 4.95p.

Lopex was floated on the stock market in June, but the issue was undersubscribed due to City criticism of its lack of structure and synergy between its various subsidiaries.

The group has set about putting this right through merging two of its agencies into a single unit called ASL Lane which will commence business in October with billings of about £20m.

In addition it is negotiating a management buyout of Kirkwood and Partners.

Volatile

The group says that overseas earnings, which had been held back in 1985 due to problems in its US and South Africa operations, were not materially affected by the volatile exchange rates during the period under review.

Another area of growth was Media Expenditure Analysis (MEAL), which has expanded its range of services, including the extension on "on line" access to MEAL data.

Lopex says significant new business gains were made in all areas of activity, both in the UK and overseas, with activity continuing at a high level during the normally quiet summer months.

The board has declared an unchanged interim dividend of 1.8p net.

New clients gained in the half year included Apricot Computers, Asda, British Airways and Volvo.

The board is confident of maintaining progress in the second half and so meeting its target set at the time of its listing of pre-tax profits not less than £3.2m and earnings per share of 9.33p.

Senior Engineering raises profit 54%

THE RATIONALISATION undertaken at Senior Engineering bore fruit in the first half to June 30 and pre-tax profits rose 54 per cent from £2.35m to £3.63m on turnover of £50m, against £49.56m. In the comparable period of last year there were exceptional charges of £360,000 from UK redundancy costs.

In the period there were extraordinary charges of £375,000 for plant removal and other costs incurred during the resiting of businesses acquired during the period. Acquisitions this year have involved a total cash investment of £8m.

Tax rose to £1.24m (£748,000). Earnings per share after tax and before extraordinary charges were 2.42p (1.62p).

Investment income fell to £232,000 (£379,000) and interest payable fell to £545,000 (£899,000).

The group said performance in the light engineering division had benefited from an upturn in business from the domestic coal mining industry and the thermal and air handling and plastics divisions also had a good first half. However, the steel tube division had suffered from a short order book. The US subsidiaries were seeing improvements after the reorganisations.

The interim dividend has been raised to 0.866p (0.825p) and the board intends to recommend that the final is also raised in line with its policy of increasing the ratio in favour of the final payment.

● comment

Senior has not received the fanfares accorded some of its rivals in the engineering sector but a 54 per cent first half profits increase on top of an 80 per cent rise last year indicates that it is entitled to blow its own trumpet. There are still problem areas, notably the Penn machine subsidiary in the US. The group has shown a willingness to sell off loss-making companies and the second half will see loss elimination, particularly the disposal of Green Site Services, which lost £600,000 last year. Although the steel tubes division will continue to be hit by sluggish conditions in the engineering industry. Prospects for both the air handling and plastics and the thermal divisions look good and the light engineering division is benefiting from surprisingly buoyant demand from British Coal. Speculation will centre on Senior's acquisition policy; so far the purchases have been small but the indications are that the next bid will be much larger and possibly in the US. For the full year profits of £8m has the shares at 52p on a prospective p/e of 10.

Slower credit collection hits Provident Financial

FIRST HALF profits of Provident Financial Group, consumer credit and insurance, were hit by the relatively poor start of the weekly-collected credit companies, which account for 90 per cent of the group's turnover.

Pre-tax profits were down at £5.67m (£7.15m) on turnover up at £177.88m (£163.64m). The after-tax profit is also lower at £3.62m compared with £4.2m and earnings per share are 7.3p (8.3p).

Shareholders were warned of the slow start by the chairman, Sir Timothy Kitson at the annual meeting in April. He said then that it was partly due to bad weather conditions.

The large surge of customers in 1985 had also caused problems which had been exacerbated by the introduction of a new administrative system that had resulted in rather more slow paying customers than usual. The group was making efforts to correct that and expected a significant recovery in the second half of the year.

Elsewhere in the group, progress was being maintained with the insurance-related and direct sales companies doing particularly well. The group's insurance interests included Colonnade Insurance Brokers, Colonnade Reinsurance, Halifax Insurance, Car Care Plan and the recently acquired, Yorkshire Mutual Trading. It also owned the Whitegates Estate Agency chain.

Its direct sales companies include Provident Direct Sales, James Keir and PHS Home Shopping. The group also owned the registered travel agent, Sunbridge Travel.

The group is paying an interim dividend of 4p (3.33p) per 25p. The board was confident that the final dividend would be similarly increased.

COMPANY NEWS IN BRIEF

YEARLINGS—The interest rate for this week's issue of local authority bonds is 9 13/16 per cent, up ⅛ of a percentage point from last week, and compares with 11 5/16 per cent a year ago. The bonds are issued at par and are redeemable on September 16 1987. A full list of issues will be published in tomorrow's edition.

MERCHANTS TRUST has a net asset value of 150.1p at end-July 1986 compared with 119.2p a year earlier. Net revenue for the six months ending July amounted to £2.5m (£2.01m) for earnings of 2.45p (2.04p) per share. The interim dividend is lifted to 2.1p (1.75p).

PACIFIC SALES Organisation, importer of small leather goods, saw turnover fall to £3.53m (£3.72m) and pre-tax profits to £352,794 (£460,026) in the year to June 30, 1986. Final dividend 2p for same-again 3p net total. Earnings fell to 4.71p (8.28p). The company's 10p shares are traded on the USM.

BESTWOOD'S offer for Barrie Investment has been declared unconditional as it now has acceptances on 54.77 per cent of the ordinary shares of the company.

FLEXTECH—the partial offer being made for the company by a syndicate has been declared unconditional as to acceptances. By the close of business on September 5 acceptances had been received in respect of 2.91m shares (16.2 per cent), of which 14.2 per cent were irrevocable undertakings to accept. First closing date is September 12.

JOHN MOWLEM has sold its subsidiary, Carroll Security of Croydon, Surrey, to the existing management. The company, which instals burglar alarms and other security equipment, was acquired from SGB Group, taken over earlier this year.

CHARTERHOUSE Development Capital has purchased a minority stake in Scottish-based John G. McGregor (Holdings), which values it at about £20m. McGregor builds private retirement homes.

BET has received the necessary acceptances in its £800,000 offer for Electrical Press to ensure the acquisition of the remaining shares. The offer has now become unconditional and has been extended until September 26.

MAYFAIR and City Properties, through subsidiary Land Builders, has completed the purchase of a freehold site consisting of 3.68 acres at Queensway Industrial Estate, Scunthorpe, Humberside for £1.02m cash.

NEW DARIEN Oil Trust net asset value fell to 61.6p as at July 31 1986 compared with 75.4p a year earlier, and 65.1p (77.6p) adjusted for exercise in full of rights attached to warrants. Net revenue was £44,000 (£47,000) after tax of £19,000 (£22,000). Earnings per share 0.44p (0.47p).

KLEINWORT BENSON European Fund increased net revenue from £1.76m to £2.18m for the year to September 3, 1986. Net asset value per income share was £5.66 xa (£16.7xd). A final dividend of 67.65p makes a total of 132.98p (120.72p) gross. The company is to change its name to Kleinwort Benson International Income Bond Fund.

BICC, the international cables, construction and components group, is to acquire the UK and Swedish businesses of Phicom's Imhof-Bedco electronic enclosures division for £3.38m.

UK COMPANY NEWS

Hestair boosted by strong growth in consumer goods

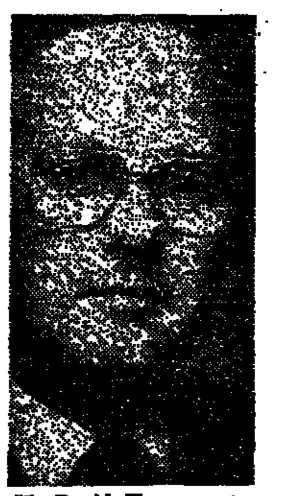
BY ALICE RAWSTHORN

Hestair, the industrial holding group, has almost doubled pre-tax profits to £3.1m in the first half of its year after strong growth from its consumer goods and services divisions.

"This is the first time for many years in which all our operating groups have improved their performances," said Mr Hargreaves, Hestair's chairman.

In the six months to July 31, Hestair's turnover rose to £65.9m (£60.9m) and pre-tax profit to £3.1m (£1.55m). The first half benefitted from £450,000 contributed by the company's ongoing pensions holiday, and the second half will benefit to the same extent. Earnings per share increased to 8.5p (4.5p) and the directors propose to pay an interim dividend of 1.7p (1.5p a share.

The employment bureaux — buoyed by the recent acquisition of the JSD Computer Group which places computer personnel into contract positions in the US — made the largest contribution to group profit, with trading profits of £1.74m (£1.85m) on turnover of £20.11m (£17.19m). JSD has been consolidated for the full six months, and the comparable figures for the first half last year restated accordingly. Hestair is now eager to expand its employment bureaux interests, in niche areas in the US.



Mr David Hargreaves: chairman of Hestair

Toys sported the strongest growth, stimulated by healthy orders from retailers in anticipation of the Kiddycraft range's first pre-Christmas advertising campaign and by the introduction of upmarket ranges. Trading profits increased to £285,000 (£87,000) and turnover to £3.1m (£2.3m).

Stationery and mail order increased trading profits to £1.28m (£925,000) and turnover to £11.25m (£9.85m).

Although engineering is still the largest contributor to group sales, its turnover fell slightly to £31.4m (£31.5m), but trading profits rose to £929,000 (£719,000).

The company is less sanguine about this division's future prospects, however. Mr Hargreaves expects to dispose of the farm engineering interests, partly through sales to outside purchasers and partly with a management buy-out.

He hopes to conclude the disposals by the end of the year. Costs and staffing levels have been reduced at Duple, the coach and bus building company which has been badly affected by the deregulation of the national bus network.

Hestair reduced borrowings after its rights issue in April, and should have eradicated them by the end of the current financial year. Future acquisitions will be funded by either shares or cash.

The company's share price, which has risen rapidly in recent months—partly because of Hestair's recovery from the doldrums of the early 1980s and partly because of unfounded rumours that Blue Arrow was contemplating a bid—rose by 5p to 176p yesterday.

New agencies boost Lowe Howard profit

BY ALICE RAWSTHORN

LOWE HOWARD-SPINK & BELL, the international advertising agency, yesterday announced that pre-tax profits had more than doubled and turnover trebled in the first half of the year.

In the six months to June 30 the agency produced pre-tax profits of £3.2m (£1.4m) on turnover of £72.3m (£23.9m). Earnings per share rose to 11.46p (7.25p) and the dividend has been increased to 2.7p (2.0p).

The acquisition of the Marschalk international network of agencies at the end of 1985 provided much of the company's growth in the latest period. Although Lowe's chief executive, Mr Tim Bell, said the London agency sported organic growth too. Allen Brady and Marsh, the agency acquired in early June, made a small contribution.

In the first half the London agency won new accounts from Mobil Oil, United Biscuits and Bell's Scotch Whisky. The Marschalk acquisition, which was devised to strengthen Lowe's international presence, yielded a global account from Opel cars in West Germany.

Lowe intends to expand by international acquisitions—by purchasing further European agencies and possibly a second agency in North America—and to diversify into new areas of the marketing services sector in the UK.

"Our first priority is, and has always been, to establish a worldwide creative agency," Mr Bell said. "Our second is to build the London agency organically so that it can support that expansion and our third to move into other strands of marketing services."

● comment

Lowe Howard-Spink and Bell has long been bandied about as the only British advertising agency likely to join Saatchi and Saatchi in the international arena. Wight Collins Rutherford Scott may have stolen some of the limelight in recent months but with this set of results, containing Marschalk's first contribution, Lowe has shown itself to be a worthy contender. That said, Lowe clearly has a great deal of work to do to bring Marschalk's margins up to anything like the levels of its own core agency. Similarly there are obvious gaps in Marschalk's European network, which will take time, trouble, and capital to fill. In the UK although the Take-over Panel dealt a bitter blow to the London agency by scuppering its lucrative bid edvertising, the alliances formed during bid battles have stood the agency in good stead, not least with Guinness which has thrown Bell's Scotch Whisky and the international review of its advertising accounts in its direction after the Distiller take-over. The City expects profits of £6.65m for the full year producing a prospective p/e of 17 on the share price which rose by 5p to 400p yesterday.

Acquisitions aid Dwek recovery

Aided by acquisitions, Dwek Group, the plastics, houseware and furniture components manufacturer, continued its recovery in the first half of 1986, reporting pre-tax profits of £511,000 compared with £103,000 at the halfway stage last year. Mr Maurice Dwek, chairman, said this was in line with the group's expectations.

The profit was achieved on a turnover up from £7.77m to £10.31m. In view of the group's continuing successful trading, Mr Dwek said that it has been decided to resume paying dividends and there is an interim of 1.5p per 10p ordinary share—the last dividend was a single 0.243p payment in respect of 1981.

The 1986 figures include the results of two acquisitions, QA Furniture and Lewing, the sports and leisure wear manufactures from the beginning of March. In February of this year Dwek also acquired Benjamin Kay's pvc sheeting vinyls and coated nylon distribution division. These purchases have widened the group's operating areas

Blackwood Hodge hits target with 24% rise

Blackwood Hodge, the earth-moving and mining equipment supplier, has confirmed the first-half 1986 profit estimates made in July, at the time of its £12.8m rights issue.

As expected, pre-tax profits were up 24 per cent from £2.19m to £2.72m. On turnover little changed at £102.56m (£103.63m), operating profits fell from £5.91m to £5.3m.

However, comparison of these figures was affected by the stronger pound related to currencies of countries in which the group operates. At constant exchange rates, turnover and operating profits showed increases of 16 per cent and 9 per cent respectively.

Earnings per 25p share showed the predicted 18 per cent rise to 1.6p (1.36p), while the company is making the forecast return to the dividend list —the last payment was in 1982 —with an interim of 0.5p net. Blackwood also reaffirms its intention to pay a final of 0.5p. Shares issued pursuant to the rights issue will not rank for the interim dividend.

Sterling has continued to strengthen against the currencies of certain countries in which the group has significant investment, particularly Australia, Africa and Canada. Even though the rate of appreciation was less than previously experienced, shareholders' funds were reduced by £1.3m to £26.6m during the period, despite retained profits of £1.14m.

Alphameric to seek full listing

Alphameric, computer terminal keyboard maker and system designer, announced at its annual meeting yesterday that it plans to seek a full listing on the Stock Exchange.

The company has seen strong profits growth since its USM flotation in 1984 helped by demand for dealing systems in preparation for the Big Bang.

The ordinary shares in the company are expected to be admitted to the official list on September 12, with dealings commencing on September 15.

In the year to end-March taxable profits rose by more than 62 per cent from £1.81m to £2.13m on turnover of £12.58m (£8.72m). Mr Douglas Craig-Wood, the chairman, said that in the five months to August 31 all three divisions had traded strongly.

The keyboard order book stood at a record £3.2m. Orders from the Cheltenham and Gloucester Building Society, British Telecom and the Stock Exchange brought terminal orders to £2m and orders for dealing room systems stood at £3.3m.

Alphameric expects demand for dealing room systems to continue after the Big Bang

Polypipe surges 63% and goes for full listing

WITH strong growth in all sectors pushing the year's pre-tax profits up 63 per cent, from sales up 32.5 per cent, Polypipe, which entered the USM in July 1985, intends to apply for a full Stock Exchange listing in the last week of September.

Second half pre-tax profits of this manufacturer of plastic fittings, based in Doncaster, South Yorkshire, surged from £721,000 to £1.33m and pushed the full year's figure ended June 30 1986 to £2.2m, compared with £1.35m. Turnover expanded from £11.79m to £16.33m.

Mr Kevin McDonald, chairman, said the current year had begun well.

After year-end tax charge of £870,000, against £540,000, earnings per 10p share were given as 5.5p (4.02p), while the dividend total is in effect 1.65p, with a 1.1p final.

The directors pointed out that efficient management of cash and stocks and the new money raised at the time of flotation had significantly improved group gearing from 63.5 per cent as at June 30 1985 to 14.6 per cent at June 30 1986.

Mr McDonald stated that while strong growth was achieved in all product sectors, the group's new product range of Underground Drainage systems contributed significantly to group results

BOARD MEETINGS

TODAY

Interims:—AFV, Associated British Ports, Aurora, BICC, BTR, Blockleys, British Aerospace, Costain, DRG, Eadie, Executex Clothes, Hartons, London United Investments, Lyon and Lyon, Murdin and Peacock, Philcom, Prudential, Systems Reliability, Tavener Rutledge.

Finals:—Central and Sherwood, Isotron, Sigmex International, Sirdar, Star Computer.

FUTURE DATES

Interims:—

Amari	Sept 30
Antler	Sept 23
Baillie Gifford Technology	Sept 24
Beetson Clark	Sept 22
Benlox	Sept 11
Betec	Sept 24
Bramall (C. D.)	Sept 15
Bristol Channel Ship Repairers	Sept 17
Brown Boveri Kent	Sept 25
Edinburgh Financial Trust	Sept 11
Enterprise Oil	Sept 19
Hawker Siddeley	Sept 22
Macro 4	Sept 16
More O'Ferrall	Sept 18
Pittard	Sept 16
Scottish Heritable Trust	Sept 17
Yule Catto	Sept 16

Finals:—

Abaco Investments	Sept 15
Detron	Sept 22
Heggs (John)	Sept 18
Hampden Homecare	Sept 15
London Securities	Sept 15
Memory Computers	Sept 11

FINANCIAL TIMES SURVEY

Wednesday September 10 1986

CHEMICALS
and Biochemicals

A period of sustained profits is expected after a hectic cycle of trauma and recovery. The promise of biochemicals is yet to be realised.

Planning for longer term

By Tony Jackson
Chemicals Correspondent

THE CHEMICALS industry is at an intriguing phase in its development. It has come through a very hectic period in the past half dozen years—the slump in 1980, the years of trauma and closure, then the cyclical recovery of 1984 and 1985 when ICI, for instance, became the first British non-oil company to make £1bn in pre-tax profits.

Now, it seems clear, the cyclical peak has passed. The downturn, though, will be nothing like the last one. Aided significantly by the collapse in the oil price, the industry can look forward to a couple of years in which profits could be more or less sustained.

It is a good time for pausing and taking stock, and planning for the longer term.

One debate in particular seems to have cooled down. The big chemical companies, shocked by their appalling losses in commodity petrochemicals in the early 1980s, for some time thought only of getting out, and putting all their money into speciality chemicals.

For an industry which had always prided itself in conducting its operations on a massive scale, small it seemed, was suddenly beautiful.

It was never remotely possible for a whole industry to force itself simultaneously up-market. Speciality chemicals, however defined, are not a big enough area to absorb the huge sums of capital which the industry deploys.

As the industry came to terms with that fact, it was simultaneously apparent that the crisis was dying down anyway. Most commodities, with certain exceptions in petrochemicals such as PVC, were once again generating substantial amounts of cash, if not always profit.

Then, at the start of this year, came the oil price collapse and the halving of the naphtha price, and the petrochemical producers, scarcely able to believe their luck, found themselves enjoying their best profit margins since the good days of the 1970s.

As a result—and despite the fact that over-capacity still exists in several areas of European petrochemicals — some companies have been back on the expansion trail.

BP and Atochem, for instance, announced in May that they were to join forces in polypropylene, and increase capacity by around 50 per cent. BP is also talking about a new plant for linear low density polyethylene in Scotland, though this would probably be matched by closure of older capacity.

This is a marked reversal from a couple of years ago, when petrochemicals executives, traumatised by the billions of dollars lost by the European industry in the early 1980s, shook their heads over the prospect of the industry passing into the hands of developing countries such as Saudi Arabia.

On this prospect Britain in particular was to achieve Third World status, exporting its crude oil and buying it back when value had been added somewhere else.

Though this was clearly an over-reaction, the truth lies somewhere in the middle. In polypropylene, for instance, growth remains unusually strong. But according to impartial observers polypropylene makers in Europe early this year were making an average return on capital, before depreciation and interest, of just 13 per cent. That is scarcely a figure to justify new investment.

But perhaps these investments are examples of longer-term strategic thinking, born of more relaxed conditions in the second half of the 1980s. No other argument, certainly, would account for the £80m and £60m being spent by Norsk Hydro and ICI respectively on new nitrogenous fertiliser plants in the UK.

The crisis in world agriculture means that a lot of money is being lost in that business at present. But, the companies explain, the last big burst of investment in the UK fertiliser industry was over 20 years ago, and the time has come to modernise or get out.

As part of that longer-term thinking, the industry has lately been going through a remarkable series of swaps and deals across Europe. ICI and Enichem have got together on PVC; BASF has bought Monsanto's UK acrylontrite business; BP is talking about buying Bayer's low-density polyethylene capacity; and so on.

Companies across Europe have been thinking hard about strategy, and the cards are being shuffled and re-dealt accordingly.

Away from the drama of petrochemicals, there is some very good money being made quietly in the field of inorganic chemicals were exciting, and organic chemicals were boring. Then came the revolution in plastics, and inorganics got left behind. Perhaps they're catching up again."

One set of companies that would certainly agree to that are the makers of titanium dioxide, the white powder used as a pigment in paint. Somehow or other producers have allowed capacity to fall below the level of demand, with remarkable effects on profitability.

In the UK, the price has risen by a third over the past 18 months, much to the consternation of the paint manufacturers. Du Pont, the world's biggest manufacturer, says that titanium dioxide is now the biggest profit-maker in its entire chemicals portfolio.

Another company proving inorganics to be a very useful earner is the UK's Cookson Group. Cookson, which is in the happy position of being joint owner (with ICI) of Tioxide, the world's second biggest titanium dioxide producer, has seen its profit race ahead in the past three years.

This has been based not only on titanium dioxide, but also on a collection of other inorganic products such as antimony oxide, zircon opacifiers and electronic solders.

But that brings us back to the question of speciality chemicals. The big companies, while feeling more relaxed about their commodity portfolios than they were, are still on the hunt for ways of moving into areas of higher added value.

There are some snags here. A company like Cookson relies a good deal on specialised marketing, and also on the fact that many of its products are so small and out-of-the-way that competitors are unaware of the high returns they offer (which is one good reason why the returns stay high).

A big company can have difficulty in finding these niches, and if it takes the easy route of buying a job lot by acquisition—as ICI did with Beatrice Chemical in the US in 1984—there can be serious problems of corporate culture.

It is all too easy for small, entrepreneurial companies to be stifled by the bureaucratic procedures of a big multinational.

The alternative route is to move further into bigger but still specialised markets such as agrochemicals and pharmaceuticals. A number of US chemical companies—Monsanto, Du Pont, Dow—have been acquiring drug companies accordingly. The snag here is the cost.

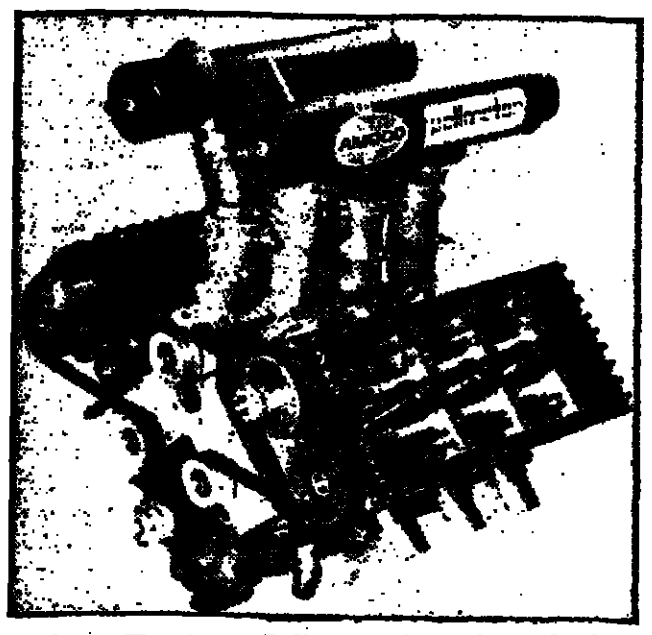
ICI makes no bones about the fact that it would like its hands on the pharmaceutical side of Beecham, whose skills in antibiotics would neatly plug a gap in ICI's portfolio. But the stock market puts a much higher value on Beecham's earnings than it does in ICI's, and such a deal would probably be ruled out by the diluting effect on ICI's earnings.

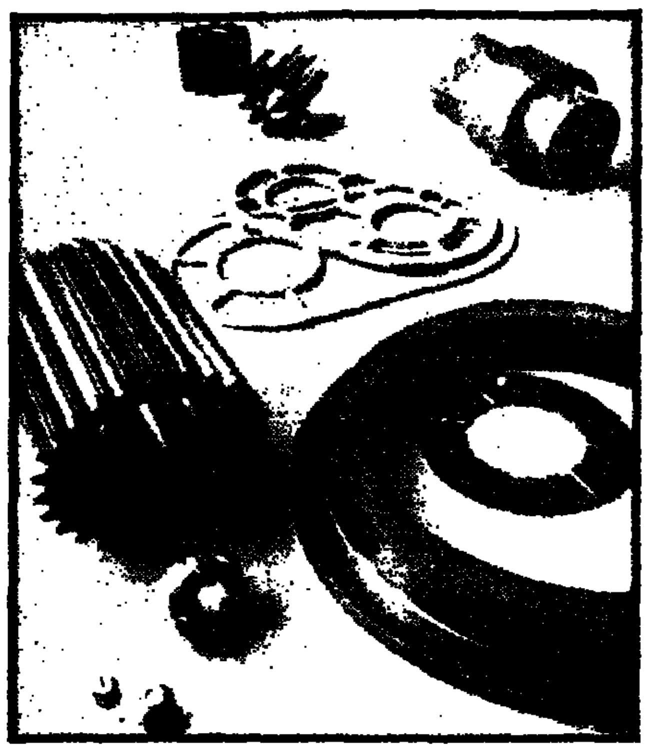
To put the point another way, a company which wants to upgrade itself by buying a speciality company can often afford it only after it has become a speciality company anyway, and has its shares valued accordingly by investors.

But that upgrading process, after all, is going on all the time. The big chemical companies on both sides of the Atlantic are working steadily on new developments—biotechnology, seed breeding, advanced composites—of a type described elsewhere in this survey.

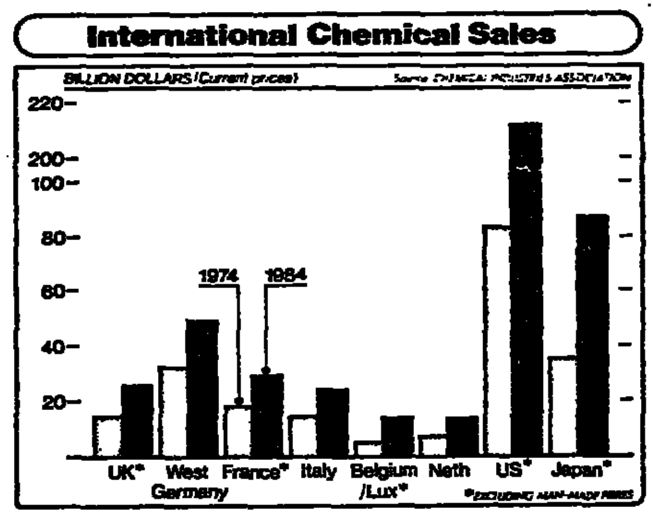
A few companies, meanwhile —Enichem in Italy, say, or BASF in Germany—can continue to specialise more in commodities, in all likelihood finding them more profitable as other companies move to fresh pastures and take their price competition with them.

The process is a gradual one, and takes time. Chemical executives, shocked at the disasters of the early part of the decade, at first wanted very much to hurry it up. In the quieter period which has followed, they seem to be learning patience.





Above: The Amoco-Polimotor V-6 turbo "plastic" racing engine. This 2.65-litre power plant, weighing only 202 lbs, includes many parts made from Torlon, Amoco's high-performance thermoplastic. Right: Precision parts made from Du Pont's Vespel



As the chairmen see it

"... While some elements of the chemical industry are maturing, many opportunities exist for new businesses based on the chemical sciences and engineering — fields of our strength. Moreover, despite the decline in oil prices, many profitable opportunities continue to be discovered in our energy business.

"Du Pont has outgrown the traditional definition of the chemical industry, and with excellent financial resources we are funding growth in new areas while at the same time investing in capital programmes to enhance the worldwide competitiveness of existing businesses.

"We enter the second half of the 1980s a strong company with confidence in the future."

Edward G. Jefferson, chairman of Du Pont. Annual report, February 1986.

"... Looking forward, we are confident we can maintain the momentum of our strategic objectives, by operating our more mature businesses at maximum efficiency and ensuring strong market positions; by sustaining our growth businesses through innovation and territorial expansion; and by building new businesses.

"I have no doubt that, within the context of safe and environmentally acceptable operations, the foundation for profits in modern business has to be science and technology, innovation, international marketing, adaptability and excellent people . . .

"We can be confident of sustaining and improving our position as one of the world's most innovative and successful chemical companies."

Sir John Harvey-Jones, chairman of ICI. Annual Report, March 1986

"... We start from a position of considerable financial strength — apparent in our balance sheet and profit and loss account, and also in our dividend record. But we face the consequence of the unprecedented fall in oil prices which has occurred since the beginning of 1986.

"Our financial strength does, first and foremost, allow us to weather the storm of lower prices without drastically altering our strategy for the future. This strategy is to continue to grow, both from within and by selective acquisition, in our areas of proven strength and success.

"I am firmly convinced that these existing business areas offer more than enough scope for us to achieve corporate renewal and growth.

Sir Peter Walters, chairman of British Petroleum. Annual Report, March 1986

Plastics

Strong demand for food packaging

EXECUTIVES IN the petro-chemical business ruefully recall the scene in the film The Graduate in which Dustin Hoffman, as a young man worried about his future, is given a one-word piece of advice by a friend of his father's: "Plastics."

Back in 1969 the advice, to a young audience, sounded so humdrum as to be laughable. As it happens, it was also on the point of becoming seriously out of date.

Although most of the important bulk plastics — PVC, polyethylene and the like — had been invented in the 1920s and 1930s, the market did not really take off until the 1950s. Then there was an orgy of substitution of plastics for all the traditional materials — wood, metal, glass.

Throughout the 1960s and 1970s growth was phenomenal — 20 per cent in a good year, 10 per cent in a bad one.

After the first oil shock in 1973, growth slipped to under 10 per cent at best. Now, after the second oil shock in 1979, the best that can be expected on average is about 1 per cent above GDP growth, or 3 to 4 per cent in total.

This ought to mean that the slump in the oil price this year will improve growth rates. But it is open to question how far the slowdown was due to oil price rises in the first place.

Although plastics use oil as a feedstock, they take relatively little energy to fabricate. ICI has calculated that to make 1m 1-litre bottles of PVC takes 66 tonnes of oil in feedstock and energy, but to make the same out of glass, allowing for the energy costs of extraction as well as manufacture, takes 230 tonnes.

To make 100 km of 4-inch drainage pipe from PVC takes 275 tonnes of oil, and from cast iron, 1,970 tonnes.

The real trouble is that bulk plastics are old-fashioned. The growth years relied heavily on substitution, and with few exceptions that process has run its course.

It is worth noting that polypropylene, introduced a couple of decades after the earliest polymers, still grows faster than they do, and that the most recent bulk polymer, PET (polyethylene terepthalate)—introduced to Europe as late as the early 1980s — is still growing at 20 per cent a year. Quite like the old days, in fact, oil shocks or no.

PET bottles stream off the production line

PET is making its inroads in the field of packaging, being substituted for glass, aluminium and board in bottles, cans and food containers. It is to the packaging industry that plastics manufacturers look as the main source of growth in the near term.

In Britain, the process of substitution in packaging is particularly marked at present, and for a reason which is not immediately obvious — the growth in market share of the big multiple grocers like Sainsbury and Tesco.

Food manufacturers are by nature fairly conservative. New food products in recent years have very often been thought of by retailers such as Marks and Spencer. The innovative flair of the retailers also extends to new forms of packaging, and since the late 1970s they have been in a position to impose their ideas on their suppliers, whether they like it or not.

The resulting very rapid pace of change in packaging materials has been an excellent opportunity for the polymer makers.

The packaging companies who are their immediate customers may have a thinner time of it, because of the power of the retailers to squeeze out finer terms, but plastics processing is a fragmented industry, and it is hard for the processors to pass the pressure on to the chemical giants.

Thus, for instance, there are recurring rumours in the packaging trade that one or other of the PET bottle makers may be about to go under. The growth opportunity for the processors has been such that market capacity is persistently ahead of itself.

Until now that has not been true of the polymer suppliers. ICI, with over 50 per cent of the European market for PET, has found it a very profitable business, and plans to step up capacity by close on 100 per cent in the next two years.

However, Eastman Kodak, the world's biggest PET producer, is about to muscle in on the European market. Plans were announced in July to put in a 50,000 tonne a year plant in Cumbria—about the same size as the capacity increase planned by ICI. Both companies claim that market growth will absorb this easily, but there could be sticky times ahead.

Most executives reckon that packaging will be the main source for growth only in the short term—say, the next three to five years. Further on, the real growth target is the motor industry.

This is a more formidable problem for the industry, if only because making cars is in engineering terms rather trickier than making lemonade bottles. But it is generally expected that polymers will make significant headway in the next five to ten years, if only in the form of polyurethanes and polyester glass fibre.

Partly this is because plastics are lighter and therefore help fuel consumption—though the lower the oil price, the less this matters. There is also the important consideration that while a specialised engineering plastic may cost much more, pound for pound, than steel or aluminium, it is often much cheaper to fabricate.

However, some motor manufacturers sound a note of Dr Wolfgang Habbel, chairman of the West German car maker Audi, addressed chemical executives on the topic in these terms in London late last year:

Do not expect us, he said, to pay for innovation. "If one of my engineers brings me a new steering wheel which is lighter and looks better but cost DM 20 more, I will send him back to find something with the same characteristics at no extra cost."

Again, he said, new plastics used in car manufacture would have to be recyclable—a problem which also crops up in packaging, particularly in Germany, where PET bottles have yet to make headway because of environmental objections. In the case of composite materials likely to be used for cars, recycling is particularly awkward.

And, above all, Dr Habbel said, new plastics had to be reliable even when cheap and suitable for mass production. The industry, he clearly implied, was not really at that stage—and since one eighth of the Audi 100's body weight is now plastic, his view must be taken seriously.

It seems certain, though, that these are problems which will eventually be overcome. The principle of light, strong materials is as firmly established for cars as for aerospace—though in the latter market, where lightness is more important again, there is already use of highly sophisticated advanced composite materials which cannot yet be justified in the volume car market.

By comparison with the blockbusting years of the 1950s and 1960s, though, the era of true high-volume innovation seems to be over.

There are still many things to be done in the field of composites — combining existing polymers with organic materials to give combined strength and lightness.

And in the field of polymer innovation, there are the super-high-performance thermoplastics like ICI's Victrex and General Electric's Ultem — materials with extraordinary properties and prices to match, never likely to be produced in volume.

But for volume plastics it has been a remarkable run — and there are now plenty of other things for the industry to turn its mind to.

Tony Jackson

Top: The French Rafale (left) and British EAP prototype fighters incorporate extensive lightweight high-performance polymers. Above: High-speed injection moulding of containers for food products

High-Performance polymers

Boundaries being stretched further

FOR THE chemical industry, the worst part of the slump in the early 1980s was the huge losses incurred in bulk commodity plastics.

Not surprisingly, this has made the industry turn its attention even more to developing polymers with high added value, higher prices and less vulnerability to the chemicals cycle.

Broadly speaking, the polymer market can be split into three categories. First are the bulk polymers, which make up over 90 per cent of the market by volume, cost up to £500 per tonne and are growing at about 3 to 4 per cent a year. These are the familiar plastics like polypropylene, PVC, polystyrene and polyethylene.

Then come the so-called engineering plastics, such as acrylonitrile-butadiene-styrene (ABS), polycarbonate and acrylics. These constitute maybe 8 to 9 per cent of the market, are growing at up to 10 per cent a year and cost between £500 and £1,000 a tonne.

Right at the top end come high performance polymers proper. These make up about 1 per cent of the market, are growing at between 15 per cent and 25 per cent, and range in price from £4,000 to £40,000 a tonne.

For the company which wants high added value, this is plainly the place to be. Those now involved include: Du Pont, with PTFE (polytetrafluoroethylene, better known as Teflon, used for non-stick frying pans); Phillips Petroleum, with PPS (polyphenylene sulphide, with the brand name Ryton); Amoco, with PS (polysulfone, brand name Udel); General Electric of the US, with PEI (polyether imide, brand name Ultem); and ICI, with PES (polyether sulphone brand name Cictrex and PEEK (polyether-ether-ketone, also called Victrex).

Few of these materials are new in the strict sense. PTFE, of Telfon, has been around for 40 years, and PS and PES were invented in the early 1960s. But, says one executive, "they offered amazing characteristics, but they all had some drawback or other about them.

"And, above all, there wasn't the pull from the market. That's the history of the plastics industry—some products, acrylic sheet for example, take off immediately, and others like linear low-density polyethylene have to wait around for 30 years."

Now, it seems, there are two different pulls from the market for performance polymers. First, materials and engines tend to get worked harder, and to get hotter. Second, new technology, miniaturisation especially, creates new problems.

Axiomatically, miniaturisation of an electrical part means heat, since the same amount of current is going through a smaller space. This is where a plastic such as ICI's PEEK comes in handy, since it withstands temperatures of 250 deg C.

But the new polymers are not merely heat-resistant, they are also formidably strong. As a chemical executive puts it: "The plastics we remember as kids in the Hong Kong toys we got for Christmas were used not in a mechanical sense at all, but as space fillers. When commodity thermoplastics like PVC and polythene are used for things like washing-up bowls, they're basically non-structural."

The engineering plastics such as nylon represented the next stage. By incorporating other materials such as glass, a product resulted which could be engineered. The housing for a power drill will now be made of glass-filled nylon, as will the cogs in a wind-up toy (which 20 years ago would have been of metal).

But, says the executive, "that's a junior engineering material. Glass fibre doesn't have high heat performance, and it's not all that strong."

It is, however, cheap—unlike the high-performance polymers. But the target markets for the new polymers are those where performance is paramount, and price is secondary. "Telecommunications, artificial intelligence, the military," says a British manager. "Whoever stretches the boundary further, producing a faster computer or a better weapon, has the advantage."

Performance has to be measured in a lot of ways: not just strength and heat resistance, but fatigue performance, resistance to impact and friction, dimensional stability (for instance in printed circuit boards for computers, which must not expand as they heat up) and resistance to chemical corrosion (such as a gear selector which is working in the hot oil of a gearbox).

In complex design applications, thermoplastics can have inherent advantages over metals. The trick is to design a plastic which retains its properties right up to a given temperature, then goes liquid.

If it can thus be used, for instance, in injection moulding, it can work out cheaper than brass or aluminium, which costs much less intrinsically but may have to be machined

The next step for these polymers is to be incorporated in advanced composites, the horrendously expensive materials used to make space shuttles and state-of-the-art jet fighters. Advanced composites are like fibre glass, except that instead of glass they use high performance carbon or aramid fibres, and instead of polypropylene they use more sophisticated thermosetting resins.

ICI and the rest are working on adapting their high-performance thermoplastics to take the place of thermosets. The technology is not ready yet. As ICI puts it, whereas impregnating carbon fibre with a thermoset is like spreading a spoonful of syrup over a table top, doing the same with an advanced thermoplastic is more like covering the table top with a piece of chewing gum.

But though thermoplastics are harder to work with, they are bound to make it to the market eventually. In a sense, the move represents history repeating itself at a higher level—in the 1880s, plastics started out with Bakelite, which is a thermosetting plastic, and moved to thermoplastics in the 1920s.

Thermoplastic composites will not push out thermosets—rather, move in at the top end of the market, where money really is no object. Significantly, research into thermoplastic composites has received massive expenditure from the US space and aerospace establishment over the past ten years.

It cannot be expected that the new polymers will achieve the volume sales of commodity plastics. But then, that is precisely not the point.

As one chemical company chairman puts it, commenting on the closure of one of his huge 100-year-old plants: "I don't need volume. Give me the right product, and I can make the same profit from a plant the size of this office."

Tony Jackson

New directions

Long search for breakthroughs

A DRAMATIC shift in the perceptions of the big chemical groups has occurred in the last few years, with growing interest in trading in kilogram quantities which once they were content to leave to smaller companies specialising in fragrances, additives and other highly priced products.

Among the main factors compelling this change is a need to develop new markets to replace some of the flagging markets for tonnage chemicals, and the huge inventories of unexploited new compounds assembled by companies in their searches for new biologically-active products such as pesticides, herbicides and pharmaceuticals.

These inventories and the associated synthetic and manipulative skills, *it is now widely* recognised, can be redirected profitably to solving chemical technology problems for such fast-advancing industries as electronics, composite materials, instrumentation and seeds.

ICI examined the seed *industry as long* ago as the early 1970s as a possible diversification for its agro-chemical activities, but concluded that it had *nothing to offer scientifically* to give it a commercial edge in this well-rooted speciality.

By the early 1980s the picture was very different. ICI, collaborating closely with universities, had developed its skills in molecular biology and the plant sciences to a point where the board was persuaded last year to create a new research-based company, International Seed Business, reporting directly to Mr Denys Henderson, chairman-designate.

It has also approved a £17m investment in new research facilities in Britain and North America, and a £10m-a-year research budget for the next 10 to 15 years, "to come up with something big," says Dr Ed Dart.

Dr Dart, who built up ICI life-sciences skills at its corporate research centre, is research director of the new company. The goal, he says, is something as big as paraquat, the herbicide ICI introduced in 1962, which is estimated to earn over £40m a year.

But ICI is also using acquisition to enter the seed industry rapidly. Last year it bought the Garst Seed Company in Ohio, with $100m annual sales. In Europe it plans a similar purchase, but failed in its initial attempt when the Swedes refused to sell Cardo.

Some measure of how widely the industry is being infected with enthusiaism for plant science developments can be *gained from* the "*club*" *of* 11 UK-based food-related companies assembled by the government biotechnologists to back a £3m research programme aiming to design a "toolkit" that will permit them to manipulate the crops of their own choice. They include Royal Dutch Shell, Unilever, Ciba-Geigy and ICI, as well as several new biotechnology companies.

Each company contributes £50,000 a year to the three-year programme with the Government matching *their* investment. The research is being done in *four* leading UK academic laboratories in plant science *with the support of* about 40 scientists — an estimated 70 per cent of the national expertise in the speciality.

In his presidential address to the Royal Society of Chemistry's annual conference in April, Prof Richard Norman, chief scientific adviser to the Ministry of Defence, highlighted the growing importance of novel materials born of sophisticated chemistry, which have so much to offer engineering development across a wide front.

Prof Norman drew examples *from electronic* materials such as gallium arsenide, from engineering ceramics such as silicon nitride, and from composite materials. Some forecasts suggest these new materials will add up to a world market as big as the oil industry in a few years' time.

British Petroleum sees a big future for plastics, ceramics and composites which will displace metals for a wide spectrum of engineering, from road transport to aerospace. One of its most striking demonstrations shows how a composite can realise an innovation which previously could not be countenanced because of the risks associated with using metal.

The innovation is the energy-storing flywheel, which stores the kinetic energy released in braking a vehicle, so that it can be reclaimed without further fuel cost. Earlier attempts to exploit the idea used flywheels of steel, which because of the speed at which they must run presented an unacceptable hazard in, say, a bus or a car.

BP's kinetic energy storage system (KESS) uses a flywheel wound from a continuous band of fibre-reinforced polymer, spinning at up to 16,000 rev/min. If a steel flywheel failed at this speed it could burst like a bomb, but KESS at worst simply unwinds. BP engineers at its Sunbury research centre have run a bus on KESS at up to 22 miles an hour.

ICI has already set up an advanced composite materials business based on high-strength *carbon fibre, aimed particularly* at the aerospace industry, and at the big US market.

At Welwyn it has been developing new high-duty combinations of fibre and matrix polymer, together with the technology needed to fashion these composites into shapes that maximise the benefits of their asymmetric physical properties and minimise the weaknesses.

The tough thermoplastic composites are the result of close co-operation between ICI's petrochemicals and polymers division and its new science group at Runcorn. The market is exclusively in high-performance composites, not commodities. The big one is aerospace, which talks of making half an airframe from such materials in the mid-1990s.

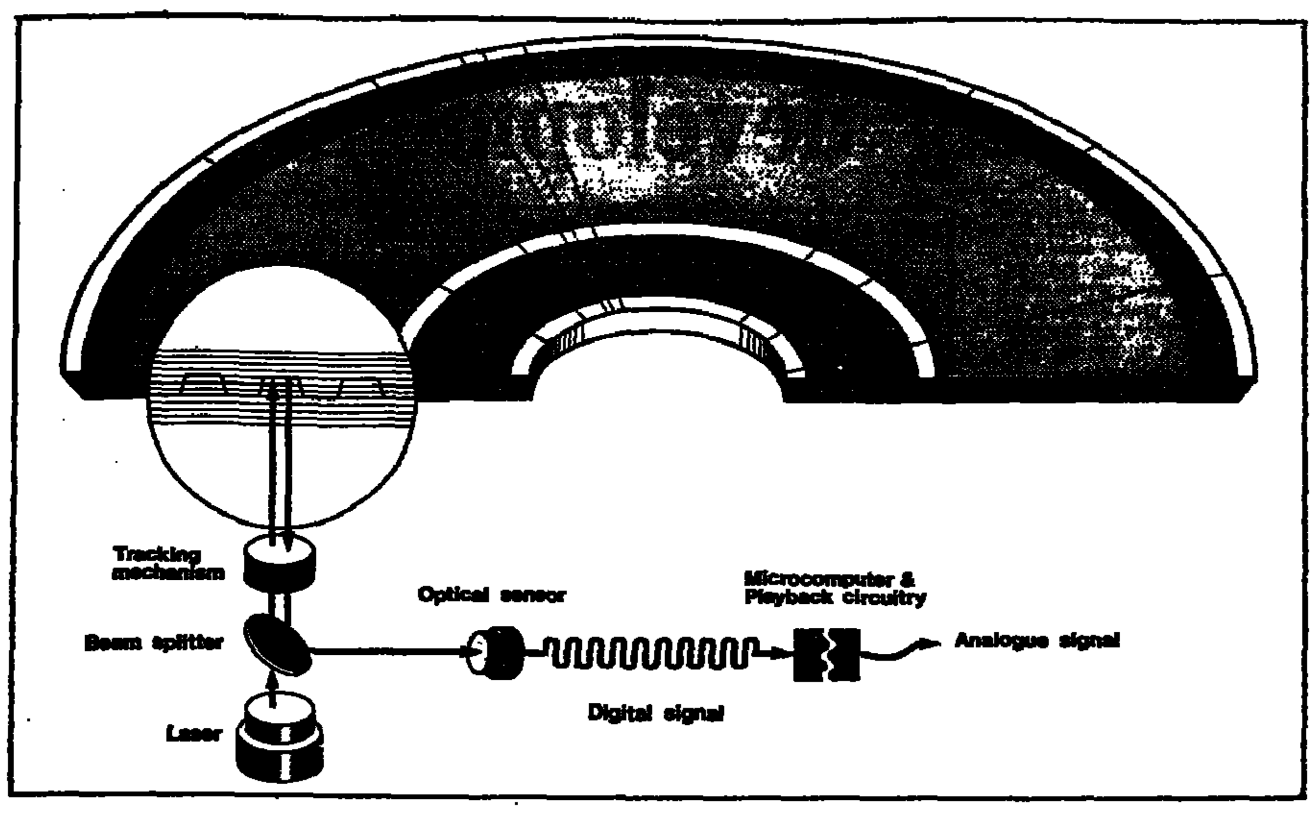
BP has used its skills with polymers to invent a new group of compounds with specialised, high-value uses. It began with the search for a novel way of cleaning oil from the beach.

BP's chemists discovered a way of turning a coating of crude into a liquid rubber called malaenised polybutadiene, then cross-linking this rubber into a solid—all at ambient temperature on a beach. They then had a flexible mat of rubber which could be rolled up like a carpet, carrying with it much of the detritus which normally covers a beach.

The chemists soon began to see other uses for Rigidoil, as BP called it. One is to seal the top of oil storage tanks, to reduce the risk of fire. Another is to take impressions of welds in offshore structures, for examination in the laboratory.

In this way divers can bring *back faithful recordings of any* evidence of weakness such as a hairline crack. Enthusiastic BP chemists talk of as many as *ten different Rigidoil products* on the market by 1988.

David Fishlock



Joint project on compact disc

DU PONT has joined forces with N. V. Philips of the Netherlands to supply the compact disc, the latest development in recording to reach the domestic market. The compact disc (CD) is a robust disc of polycarbonate or acrylic polymer, etched with a laser beam to record sound or visual images as a series of "pits" corresponding to digital information.

An audio disc is only 12 cm in diameter, a video disc only 25 cm. Still more significantly, reproduction is free from the "noise" of a needle traversing a groove. The CD is read by a laser beam focused on the pits to recall the digital data which they contain.

A microcomputer in the CD player generates an analogue signal from this data to drive the loudspeaker or TV screen, as the diagram indicates.

The moulded plastic disc is etched by laser to produce a continuous spiral of digital data. This side of the disc is then thinly coated with aluminium to produce a highly reflecting surface, protected by a transparent plastic coating.

The player also uses a laser, which replaces the needle in a conventional player. A needle of light follows the spiral of pits, "reading" its data into a micro-processor which reconverts it into analogue signals.

According to Du Pont, the joint venture with Philips represents the biggest in its history outside the energy sector. The two groups plan to support the joint venture with a $60m-a-year research and development budget by 1990, to maintain what they believe to be their technological leadership with the CD.

Included in the venture are Philips' Polygram recording subsidiary's factory at Hanover in West Germany, claimed to be the biggest CD manufacturing capability in the world. A factory at Blackburn, Lancashire, and another at Eindhoven, in the Netherlands, also join the new venture.

Du Pont is donating its optical disc factory near Wilmington, Delaware, and its associated research base.

Alfred Bok, chief executive of the joint venture, is quoted as saying that its goal is to be the CD producer of highest quality and lowest cost. Its most severe competition threatens to come from developments in Japan of a compact tape recording which—unlike the CD—can be wiped clean and re-recorded.

David Fishlock

Biotechnology investments
(Unquoted shares)

Source	Proposals received	%	Investments made	%
US	280	69.8	26	70.3
UK	86	21.5	8	21.6
Europe (excluding UK)	18	4.5	3	8.1
Other countries	17	4.2	—	—
TOTAL	401	100.0	37	100.0

Source: 1986 annual report of Biotechnology Investments.

Left: Lord Rothschild. He believes that the potential for applying biotechnology to many industries is enormous but the major impact "is still some years away"

New bioproducts

Shift to develop smaller markets

NO ONE except the investor who sought quick returns from biotechnology should be disappointed by the pace at which the new inventions of genetic engineering are reaching the pharmacy shelves.

Commonsense said at the outset that there could be no way of bucking a regulatory system which the public demanded should be tighter rather than more relaxed about the safety of new drugs.

Moreover, previous experience in the 1960s and early 1970s had already taught industry that industrial microbiology, however alluring on paper, was a source of much trouble, delay and great expense.

In spite of this, several products of the new biotechnology born of the science of molecular biology have reached the market. If there is any cause for disappointment, it must be that these innovations have not yet produced the dramatic impact on health-care that was forecast, particularly by those who were seeking to raise the cash for new biotechnology ventures.

However, Lord Rothschild, as chairman of Biotechnology Investments, the investment trust set up by N. M. Rothschild and Sons in 1981, which is devoted exclusively to biotechnology shares, has just reported his trust's best year yet, with 43 per cent growth in net assets.

"If we can do as well in the next five years as in the first five I shall be very happy," Lord Rothschild said.

Since 1981 the trust has invested in 37 unquoted shares worldwide, out of a total of 401 new biotechnology companies soliciting its support. He tells shareholders in the annual report that the potential for applying biotechnology to many industries remains enormous "with the major impact still some years away yet."

The next five years, he believes, are likely to see still more exciting biotechnology developments than the last five, which have already produced such biosynthetic drugs as interferon, insulin and human growth hormone, and many uses for monoclonal antibodies.

Interferon is the most conspicuous example. Two decades of research into this naturally produced protein had convinced many medical scientists that, if only it could be obtained in large quantities, sufficiently pure, it must surely have a therapeutic potential.

Genetic engineering opened a new way to large-scale manufacture. Other advances ensured the purity. They have not been enough to provide a panacea — at least not yet.

But biotechnology has unquestionably provided medicine with some promising new products, dramatically effective for very specific types of disease.

Biogen, backed by Schering Plough, and Genentech backed by Hoffmann-La Roche, both successfully genetically engineered alpha-interferon. In Britain, Biogen's drug won a product licence early this year, as Intron A, sold by Kirby Warrick, Schering Plough's UK offshoot.

Simultaneously, the Wellcome Foundation received a product licence for Wellferon, made by mammalian cell culture in which lymphoblastoid cells are stimulated to make interferon by infecting them with a virus.

Whereas Intron A contains a single sub-type of alpha-interferon, Wellferon contains no fewer than 17 sub-types. Both products have been licensed so far for a single disease, a rare cancer called hairy cell leukaemia. Drug costs of about £2,000 per patient per year are said to compare favourably with current costs of treatment.

Wellcome has predicted that the next approvals for its interferon will be for genital warts and juvenile laryngeal papilloma, both caused by viruses. Kirby Warrick expects licences for myeloma and low-grade lymphomas.

What is clear now is that optimum use, dose and delivery schedules must be worked out for each disease — a painstaking process.

Genentech, the fast-growing Californian biotechnology company, first genetically engineered human growth hormone (HGH), another natural but scarce human protein, under contract to the Swedish company KabiVitrum. Last year a new worry was added to the scarcity and cost of natural HGH when several deaths were traced to a slow viral infection developing in patients treated in the 1960s and 1970s.

Britain was the first country to license KabiVitrum's Somatonorm, the biosynthetic HGH, free from any risk of virus contamination. But the cost is high, two or three times as much as pituitary HGH, amounting to over £4,000 per child this year, according to the British Medical Journal. About 900 undersize British children receive HGH treatment at any one time.

Insulin, on the other hand, although the first of the natural substances to be biosynthesised and brought to the market, has not established any clear advantage in efficacy, purity or price over the most highly purified pig insulin.

In parallel with the development of genetic engineering through recombinent DNA, the source of all the foregoing biosynthetic products, another technology was advancing. This was the hybridoma technique *for making monoclonal antibodies*, discovered in Cambridge in 1975.

Celltech has secured the world's first licence to be granted by the US Government's Food and Drugs Administration for bulk production of monoclonal antibodies. This gives the five-year-old British biotechnology start-up access to the world's biggest drugs market and a persuasive argument in other major markets such as Japan.

Monoclonal antibodies are a big family of proteins, each of which has unique power for recognising another natural substance. This power can be harnessed in several ways: for purifying other drugs such as interferon; for the diagnosis of diseases in man, animals and plants, to identify specific kinds of protein, including toxins, in foodstuffs; for identifying blood groups; and even in the treatment of diseases such as cancer, it is believed.

David Fishlock

Cell culture

Leading development role by UK

LARGE-SCALE culture of living cells is a novel technology for the chemical process industry, and one which has evolved rapidly from an experimental technique into manufacture of the novel products of biotechnology such as interferon and monoclonal antibodies.

Britain can claim a leading role in this development, notably through the efforts of such companies as Wellcome Biotechnology and Celltech. In Celltech's case, a joint venture called Apcel has been formed with the US chemical group Air Products to develop and exploit the new technology.

The technology has its origins in the mid-1960s with efforts to culture baby hamster kidney cells, but it was driven primarily by the demand for veterinary vaccines against foot-and-mouth disease.

By 1983 Wellcome had installed more than 2m litres of cell culture capacity for FMD vaccine. It had also successfully adapted the technology to produce interferon.

Today its human lymphoblastoid interferon cells are deep-cultured at Beckenham, Kent, in a 8,000-litre vessel. It has also recently built a larger plant for Sumitomo in Japan, for manufacture of alpha-interferon under licence. Japan also operates the largest of all cell culture processes yet reported, 20,000 litres, for tobacco cells.

Many new pharmaceutical products—the result both of the new biotechnologies of genetic engineering and monoclonal antibodies and of more traditional research to produce new human and veterinary vaccines—are poised for commercial production. A recent review of cell culture by experts from two of the world's most prolific sources of new biotechnology products, Celltech (UK) and Genentech (USA), concludes that "in the next decade large-scale culture of animal cells will assume major importance in the manufacture of pharmaceutical products."*

Animal and plant cells grow relatively slowly, with doubling times of 12 to 100 hours or longer, so they are easily overwhelmed by faster-growing microbial infections. Some operators put their faith in adding antibiotics to the culture medium, at risk of culturing an antibiotic resistant strain of infection.

Celltech and Genetech put their faith in plant design and operating conditions that keep infections out. But they give a warning about the corrosiveness of the very pure water they use for steam-cleaning and preparing the culture. It can leach elements from the stainless steel plant, to add unwanted constituents to the 50-odd which may already be present in the culture "soup".

It is important to gauge the health of the cells during culture. This can be done by microscopic examination which, with appropriate dyes, can tell the operator about population density, viablity, incidence of death, amount of cell debris, etc, Aeration rates can also help to indicate the state of the cells in culture.

The products made in the greatest volume by large-scale culture are FMD vaccines, but rabies, polio and bovine leukaemia virus have all been cultured in quantity. All are made under stringent conditions of containment and security against leaks to the atmosphere.

The development of genetic engineering has opened opportunities for modified cells — viral sub-unit proteins or glycoproteins — and the possibility of purer, safer and more efficacious types of vaccine. Some have reached the stage of clinical trial.

Alpha-interferon and beta-interferon are being made by large-scale culture, up to 8,000 litres. Sumitomo has installed four 8,000-litre deep culture vessels under an agreement with Wellcome which has been worth over £10m in fees for technology and initial supplies of interferon for clinical trials.

Sumitomo hopes to obtain its own product licence for Sumiferon this year. Mr Bill Castell, chief executive of Wellcome Biotechnology, calls this Wellcome-designed factory "the best mammalian cell culture plant in the world."

Japanese aptitude for the meticulous care and attention needed to run such a sensitive process on a large scale provides a natural complement to the innovation of his laboratories at Beckenham, says Mr Castell. He believes the two companies have an agreement "in which the Japanese will drag us along on their coat-tails."

The culture of monoclonal antibodies was done initially in "mini-reactors" in the shape of mice. With the rapid growth in the market—for diagnostics, imaging, therapy, and purification—the mini-reactors have been supplanted by cell culture plants.

It needs at least 20,000 mice to make a kilogram of monoclonal antibody and the risk of contamination is considerably greater than by deep-cell culture.

Celltech is operating stainless steel airlift fermenters for this purpose, of 10, 100 and 1,000 litres capacity. They are run in cascade, with a high degree of automation, both to improve reliability and keep down labour costs.

A microprocessor controls pH, dissolved oxygen, temperature, and the valve and pump operations. It also activates alarms if any critical feature fails. Production cycles vary from 140-400 hours, depending on the cell line, and concentrations of the monoclonal antibody range from 40 to 500 milligrams per litre of "soup"—four or five times the yield of simple laboratory culture systems such as roller bottles.

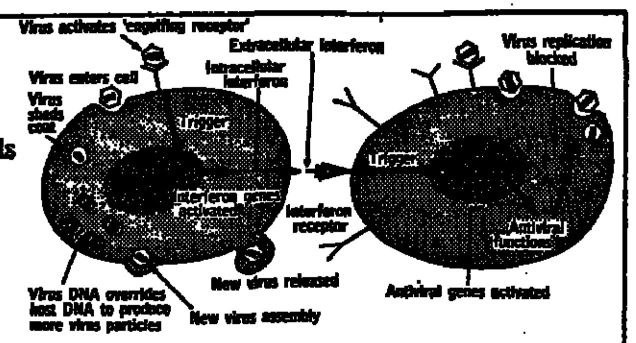
Mr Gerard Fairtlough, Celltech's chief executive, claims a world lead in bulk production of monoclonal antibodies. "And we intend to keep that lead." He plans further scale-ups of production capacity from kilogram quantities to as much as 50-100 kg per year, provided there proves to be a demand for that much of a highly potent new chemical.

Science, June 12 1986, pp 1390-5.

David Fishlock

SIX STEPS IN MAKING WELLFERON

1. **Cell cultivation**—of human lymphoblastoid cells in 8,000—litre vessels.
2. **Cell conditioning**—to increase yield, by adding sodium butyrate.
3. **Induction**—to stimulate cells to make interferon by innoculating culture with Sendai virus.
4. **Filtration and centrifugation**—to remove cells and cell debris.
5. **Purification**—up to 90,000 times by a multi-stage sequence including chromatography.
6. **Blending and stabilisation**—to produce a strength of 3 mega-units of interferon.



How the body produces interferon in virus-infected cells (left) and how interferon works on a virus-infected cell (right). Interferon has a natural role in protecting the body against disease.

How interferon works

Source: Wellcome Foundation

Birmingham University's new computer-controlled bioreactor, designed collaboratively by the university's biochemical engineering laboratories and Life Science Laboratories

University/industry partnerships

Bioreactor project a key to collaboration

A £75,000 bioreactor built to the specification of Birmingham University scientists is the key to a new collaboration between the academics and a small British high-technology company. If successful, their partnership will yield a more efficient and productive design of commercial bioreactor.

The company, Life Science Laboratories of Luton, has also entered into a "teaching-company" scheme with the university's biochemical engineering laboratories. Under this scheme it aims to train a team of seven postgraduate researchers specifically in the science and practice of biotechnology processes.

This affords an example of the way the highly successful government - backed teaching company scheme is being broadened from the traditional engineering industries to support a much broader swathe of British manufacture, including the chemical process industry.

Life Science laboratories (LSL) supplies two key components of many small bioproduction lines: the fermenter (bioreactor) and the freeze-dryer, often one of the last stages of manufacture, when product value may be very high. Until recently, however, LSL distributed equipment made overseas.

Under its Proteus project, LSL has re-invested 12 years' experience of supplying French fermentation equipment worldwide to develop its own family of computer-controlled bioreactors, from bench-top size to 3,000-litre pilot plant. Beyond this size, bioreactors are usually custom-built for the client, says Mr Patrick Gilgallon, LSL's chairman.

The Proteus project transformed LSL from an importer of French plant to a maker of British bioreactors and included development of its Mentor software to automate the fermentation stage. A single controller can supervise as many as 30 to 40 bioreactors, Mr Gilgallon claims.

Earlier this year he launched Project Oddesey, a joint venture with biotechnologists in Birmingham University's department of chemical engineering, believed to be the biggest school serving this discipline in Britain.

The project aims to develop a new kind of bioreactor, using university research into fermenter performance to raise yields through tighter process control. Mentor software will provide the control.

At the university a key participant is Prof Alvin Nienow, a specialist in the influence of agitation on the performance of all kinds of chemical reactor. Prof Nienow believes the importance of mixing within the viscous "soup" of a fermenter in which living organisms are breeding has been seriously under-estimated.

The aim is to use university research to raise yields through tighter process control.

His latest research is incorporated in the design of the 150-litre bioreactor the department bought from LSL last spring. It includes a multi-blade mechanical stirrer, performance of which can be varied, and followed at various levels down through the reactor.

The aim is to secure optimum flow of nutrients to every living organism in the vessel, at minimum capital outlay and running cost, and with least damage to the organisms themselves. Bacteria can be stirred more vigorously than plant cells, for example, which tend to be very sensitive to the shear stresses imposed by spinning blades.

Prof Nienow is already collaborating with several other UK biotechnology ventures, including one at the National Engineering Laboratory, East Kilbride, on the scale-up of bioreactors. Another is with ICI to study the problems of high-viscosity fermentation processes. A third is a project funded by the Agricultural and Food Research Council to apply bioreactors to the processing of seeds.

In search of their new experimental bioreactors at Birmingham, Prof. Nienow and Dr Dick Emery, director of biochemical engineering, approached 10 companies. Eight responded. All but one offered them an off-the-shelf bioreactor.

The single exception, LSL, offered ideas on how Birmingham's new bioreactor might be developed jointly. "It was their enthusiasm that really brought us together," Dr Emery says. The result is an experimental tool in which computer control is an integral part of design, "not an add-on."

It is under the teaching company scheme that LSL plans to train the team of seven postgraduate researchers. Their training centres on the new bioreactor, the biochemical equivalent of computer-aided manufacture, equipped with direct digital control for the mass-production of microbes to a tight specification on quality control and throughput.

Computer control is an integral part of the design, not an add-on.

The teaching company idea dates back to 1974 as the brainchild of Dr Teo Williamson, a British engineer who wanted to bring to the factory floor some of the advantages of Britain's world-famous teaching hospitals, in the way they offer "hands-on" experience of real situations and problems under expert supervision.

The Government balked at the problems of creating a teaching company from scratch, but agreed to encourage new liaisons between academic institutions and established companies, to give postgraduate researchers access to the factory floor. The scheme was launched jointly by the Science and Engineering Research Council and the Department of Industry.

Initially, the scheme focused on batch manufacture in the mechanical and electrical industries. Today it is growing exponentially and diversifying into such areas as the process industries, says Prof Derek Saunders, of the Cranfield Institute of Technology, who is the scheme's director.

The two patrons and industry share a cost which runs currently at about £12m a year but is poised for a big expansion, Prof Saunders says. More than 100 new partnerships are currently being established each year between university and factory. It has also devised group schemes to help encourage participation by small companies.

For LSL, the cost of training seven research associates is estimated at about £300,000. This will be shared equally between the company, SERC and the Industry Department. But each believes it will contribute more in "hidden cost."

In the company's case, it could amount to another £300,000 in staff costs for people heavily engaged in the scheme, who could number as many as 13, Mr Gilgallon estimates. But the outcome will be a highly-trained corps of specialists to help keep the company growing.

David Fishlock

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
160	F.P.	5/9	185	165	Acatos & Hutcheson 50p	184	-1	bd 5.25	2.9	4.0	12.3
60	F.P.	6/8	71	68	♦BSS Design Grp 5p	68		L1.0	4.2	2.1	16.3
§	F.P.	-	318	280	BTR Nylex A$0.50	311	+2	Q15c	2.7	2.0	18.4
‡‡	F.P.	-	55	42	Bertrams Inv. Tst	43					
80	F.P.	-	39	35	♦Brent Gr. Grp. 10p	35	-1				
200	F.P.	4/9	85	84	Child Med C./T.£1	85	-1	bL3	2.2	2.8	23.7
155	F.P.	12/9	134	131	♦Collins Int 5p	131					
1130	F.P.	-	172	152	♦Craighton Labs 20p	150		9.7	3.4	3.2	13.1
150	F.P.	25/7	172	152	♦F & G Group 10p	172		13.7	2.2	2.1	30.6
125	F.P.	15/8	161	134	Gallard Corp.	158	-1	14.75	2.5	4.3	13.8
150	F.P.	15/8	165	156	Harrison Inds. 10p	162		ql3.0	2.3	2.5	18.4
102	F.P.	-	108	104	Indla Fund £1	108		q5.0	2.7	4.3	12.1
100.25	F.P.	-	230	236	♦F Pacific Warrant S.A.	230					
‡	F.P.	29/8	105	97	♦Marsden Dev. 50p	97	-5				
85	F.P.	5/9	89	78	♦Marwen Trans 5p	77		R3.13	3.0	4.8	8.8
25	F.P.	-	25	25½	Mls of Scotland for 10p	25½		R0.8	2.5	4.6	8.7
‡	F.P.	-	25	20	♦Oestbach 5p	20					
165	F.P.	3/8	184	157	♦Smithson 10p	177		bL0.21	2.1	4.4	14.9
145	nil	3/10	21pm	11pm	Sutcliffe Speak Uat	21pm					
130	F.P.	30/8	174	172	♦TV-am 10p	171	-2	R5.75	2.6	4.7	11.5
150	F.P.	31/8	163	152	VSEL Consortium £1	163		u5.68	4.3	4.9	5.1
‡	F.P.	-	100	85	Welsh Ind. Inv. Tst. 5p	90	+5				
125	F.P.	-	156	148	Yorkshire TV	149		R6.25	2.4	6.0	10.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or -
£100	£10	29/10	10¼	9	Beaverb'k & Dist Wtr 10%Red.Db 1996	9	-¼
‡	nil	30/10	3pm	1½pm	Eeyston Tst 7% Cv Cnr Red PF	1½pm	-½
99.360	F.P.	10/10	101½	99¼	Elect & Gen. Inv. 10¼% Deb. 2011	99¼	-¼
‡‡	F.P.	-	91	86	Hollis 252% Cnt. Subord. Ln. 1988 (25p)	86	
‡	F.P.	-	28	27½	JF Pacific Warrant & A Prof.	27½	
101.323	F.P.	21/8	100½	97¼	Land Securities 10% 1st. Mort. Deb.25	97¼	-½
£100	F.P.	-	100	97¼	Moorebeigh 5.25% Cnv. Cum. Prf.	97¼	
‡99.997	£25	24/10	25¼	25¼	Nationwide 3¼% H. Ln. 2021	25¼	
	F.P.	-	100	100	Do. Inv. Ln. 1/10/87	100	
	F.P.	-	100	100	Do. 9½% 7/9/87	100	
£100	£10	-	10½	9	Portsmouth Water 10¼% Red.Deb 1996	9	-½
‡	F.P.	-	8½p	8p	Rush & Tompkins 7.5%Cnv.Cum.Red.Prf.£1	8p	
100	F.P.	30/9	105p	100p	Scanrevale 5.75% Cnv. Cum. Red. Prf.	100p	-1
96.645	£25	-	24¾	24½	Scot. Met. Prop. 10¼% 1st Mort. Deb. 2016	24½	-¼

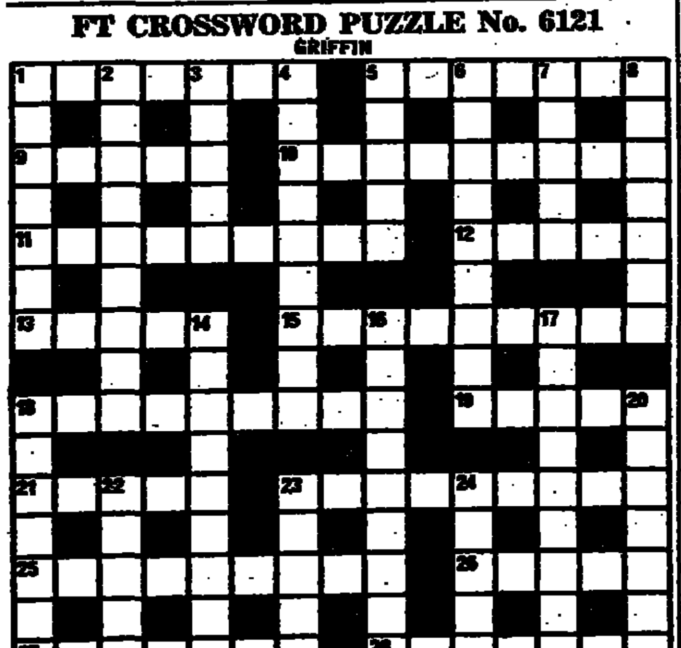
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or -
168	Nil	10/10	27pm	17pm	Allied Irish Banks	25pm	-2
200	Nil	-	8pm	5pm	Berkeley Technology	7pm	
338	Nil	20/10	28pm	2pm	Brown & Tawse	16pm	-1½
276	Nil	14/10	35pm	25pm	FII Group	25pm	
215	Nil	-	2pm	2pm	Parakaman 10p	2pm	
315	Nil	-	30pm	20pm	Sedgwick Group 10p	30pm	+3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. † Issued by tender. ‡ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ♦ Unlisted securities market. ¶¶ Official London listing. ‡‡ Including warrants. ‡‡ Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE No. 6121

GRIFFIN



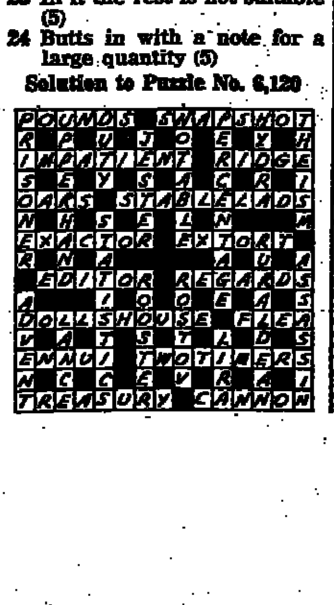
ACROSS

1 Drunk, the first lieutenant chose to go without (7)
5 Claimed another examination (7)
9 Ought to be in stem of boat (5)
10 Outside broadcast term for a fixed idea (9)
11 Stop nude members going outside unrestrained! (9)
12 Annoy fathead bringing in firearm (5)
13 Expel about six, etc., when upset (5)
15 Confused so dumb a person as one investigating grievances (9)
18 Getting realist to change the betting system (9)
19 Said to strain stitches (5)
21 Different article in yellow case (5)
23 Canned brine mixture I consumed (9)
25 Mass murderer unhappy with a redhead in bed (9)
26 An excuse to bail out the Irish leader (5)
27 Trace note and allow the soldiers to enter (7)
28 Fights rises negotiated way back (7)

DOWN

1 Imagine very good cruet getting smashed (7)
2 Carefully study writing by one forced to enlist (9)
3 Are situated, for example, inside a Belgian city (5)
4 They take turns to provide openings for entrants (9)
5 Meditated on seeing the doctor embracing poor Sue (5)
6 Record by tired doctor is disgrace (9)
7 The head will be cold if he comes round (5)
8 Lent a switch to some sailors for a lamp (7)
14 Fairly good food, which includes "role" spelt incorrectly! (9)
16 Save on offer for drinks dispenser (9)
17 By chance I ordered manuscript about routine procedures (9)
18 Harry buckled our new belt on the outside (7)
20 The sort that is surrounded by glasses! (7)
22 Half an hour to spend with the audience (5)
23 In it the rest is not suitable (5)
24 Butts in with a note for a large quantity (5)

Solution to Puzzle No. 6,120



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	19.8	21.1	-0.8	0.15
Pacific Basin	15.8	16.3	-0.1	0.2
Canadian Balanced Growth	58.3	62.3	-0.2	0.98
Gimme Mae	101.3	105.5	-0.3	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	58.6	60.3	+0.1	1.75
British Growth (z)	68.4	70.3	-0.3	2.00
British Income (z)	67.8	69.7	-0.3	4.50
British Extra Yield(z)	51.3	52.7	-0.4	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.8	68.9		0.00
U.S. Govmt Bond Fd	50.511	0.5113	-0.003	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cowdal & Equity Tst	50.2	53.5	+0.2	7.41
Growth Trust	53.6	57.1	-0.1	2.18
Income Trust	55.2	58.8	-0.1	4.96

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.3	73.8		2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge., Huddersfield 0484 602250

Y.G.T.	128.8	137.1	+0.3	3.19

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 8		103.1		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.2	218.2	+0.1	—
Equity Ser 1	104.8	110.4	-0.9	—
Prop. Acc. Ser 2	278.9	293.6	+0.2	—
Equity Ser 2	113.9	119.9	-1.1	—
Selective Acc.	241.6	254.4	-1.4	—
Prop Ser. 4	220.1	231.7		—
Equity Ser 4	116.8	123.0	-0.9	—
Fixed Int. Ser 4	187.0	196.9	-1.8	—
Indexed Inv. Ser. 4	115.2	121.3	-0.8	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	103.0	109.0		—
Risk & Reward Bond	120.0	127.0		—
Murray Johnstone Fd	124.0	131.0		—
Money Market Fd	101.0	107.0		—
Ivory & Sime Pens Fd	105.0	111.0	+1.0	—
Risk & Reward Pens Fd	102.0	108.0		—
Murray J'stone Pens Fd	121.0	128.0		—
Money Market Pens Fd	101.0	107.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.0	119.0		—
Money Fund	221.9	233.6		—
Managed Fund	410.6	432.3	-1.1	—
Equity Fund	257.9	271.5	-0.7	—
Fixed Interest Fund	146.8	154.6	-1.7	—
Far East Fund	216.1	227.5	-1.3	—
North American Fund	178.0	187.4	+0.7	—
Natural Resources Fund	138.3	145.6	+1.6	—
Pension Managed Fund	383.5	403.5	-1.6	—
Pension Equity Fund	244.1	257.0	-0.5	—
Adventurous Mngd Fd	109.2	115.0		—
Balanced Mngd Fd	106.1	111.7		—
Conservative Mngd Fd	106.1	111.7		—
European Fund	105.7	111.3		—
International Fund	105.6	111.2		—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	135.0	142.2	+0.3	—
Equity	154.5	162.5	+1.2	—
Property	109.0	114.8		—
Gilt & Fixed Interest	113.3	119.3	-1.2	—
Indexed Securities	100.9	106.3	+0.1	—
Cash	107.3	113.0		—
North American	108.2	113.9	+0.4	—
Far East	131.0	137.9	-0.8	—
International	126.3	133.0	+0.2	—
Special Situations	146.8	154.6	+0.9	—
International Income	142.5	150.0	+1.5	—
American Income	117.5	123.7	+1.2	—
European	149.4	157.3	-1.0	—
Flexible Retirement Plan				
Mixed	139.3	146.7		—
Equity	149.4	157.3	+0.4	—
Property	114.4	120.5	-0.5	—
Gilt & Fixed Interest	119.8	126.2		—
Indexed Linked	104.4	109.9	+0.4	—
Cash	115.3	121.4	+0.1	—
North American	113.3	119.3	+0.5	—
Far East	148.6	156.5	-1.1	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $29.21 ? -0.27 —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $17.08
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advances Tech $18.76
Dynamic Gwth Fd $ 18

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund 12.42

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	9.70			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	9.80	7.35	10.24	Mth
7-day Fund	9.76	7.32	10.00	12.65
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	9.70	7.25	10.39	6-Mth
7-day Fund	9.71	7.28	10.41	6-Mth
Dollar	4.87	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Cur Acc	9.25	6.80	9.62	Qtr
Aitken Hume 30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	9.25	6.93	9.56	Qtr
Mth. Int. Chq	9.25	6.93	10.24	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD			01-283 9111	
High Int. Cheque Acc	10.125	7.591	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	9.20	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton			0604 252891	
High Int. Cheque	9.50	7.00	10.12	Qtr
Beachmark Trust Ltd 9 Henrietta Place, W1M 9AG.			01-631 3313	
Cap Chq Deposit Acc	9.25	6.93	10.06	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH.			01-248 4000	
Sterling	9.50	7.10	10.75	Mth
U.S. Dollar	5.375	4.03	5.74	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings St Martins Hse, Hammersmith Grove			01-581 1422	
Money Market Plus	Top rate	7.00	10.35	Mth
For other rates please 'phone our Rateline 01-581 0639				
Premium Account	9.53	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB.			0708 66966	
H.I.B.A.	9.20	6.90	9.92	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol			0272 732241	
Demand Acc	9.61	7.18	10.59	Qtr
Money Acc	9.36	7.00	10.18	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth			0705 827733	
Special Acc	9.00	6.75	9.77	Mth
Over £10,000	9.25	6.94	10.04	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE			0752 224141	
High Int Chq Acc	10.00	7.49	11.83	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE.			01-606 9085	
High Int Cheque Acc	11.0	8.22	11.96	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. φ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	13
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	48	Burmah Oil	36
ICI	55	Charterhall	4
Jaguar	58	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	12
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	48
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	58
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Coffee pact members face export quota dilemma

BY ANDREW GOWERS

THE ANNUAL world coffee ritual is about to commence — only this year it has more of an air of unreality about it than ever.

Delegates from exporting and importing countries gather in London next week for the meeting at which they would normally fix the ground rules for the coffee trade over the next year under the quota arrangements of the International Coffee Agreement.

The trouble is that the exercise is almost entirely theoretical. The $15bn-plus world coffee market has been a free-for-all since February, when export quotas were suspended because of the dramatic price rally sparked by last year's Brazilian drought.

Although prices dipped later in the year, they have been climbing since. With the International Coffee Organisation's composite daily price close to 180 US cents a lb, nobody seriously expects quotas to come back this calendar year and they may even stay in abeyance right through the 1986/87 coffee year, which starts on October 1.

Nonetheless, the ICO council will not be short of things to talk about, principally focussing on a shortfall in supplies of mild (arabica) coffees. This now seems certain as a result of last year's four-month drought in Brazil, which is usually by far the biggest coffee producer and exporter. Last month, the Brazilian Coffee Institute slashed its official forecast of the crop by 3.5m bags to 11.2m—little more than one third of the amount from 1985's bumper harvest.

As a result, Brazil is universally expected to export much reduced quantities of coffee at least until the 1987 harvest next summer. Ms Bronwyn Curtis, coffee analysts with Landell Mills, the London-based consultants, suggests that between July 1986 and July 1987, only 10m or 11m bags may be available in Brazil for export, some 8.5m less than the country's total exports in the 1984/85 coffee year.

It is unlikely that other producers will be able fully to make up the shortfall. Colombia, the second largest exporter, has been shipping for all it is worth, but its export capacity is constrained by port congestion. The Central American producers, which also grow mild coffees have also cashed in on the recent high prices to the extent that they may have very little coffee left by the end of this calendar year.

If quotas were in force, then, the ICO's governing council might be faced with a real, and politically-charged dilemma: whether to reallocate export quotas for the next three years (the remaining life of the coffee agreement), and if so how. This underlying question will be lurking behind the discussions over the next two weeks, and will sooner or later have to be faced head on.

Consuming countries, while wincing at the high prices it has caused, see the Brazilian problem as something of an opportunity. Traders and roasters have long complained about what they say is a mismatch between supply and demand in the different varieties of coffee. This supposed renegotiation, say the optimists, could provide a chance to rectify the situation. Some, like the US, believe that Brazil has too large a market share and that Colombia deserves more.

Other producers, too, might be expected to try and capitalise on Brazil's misfortune. Apart from the Central Americans, African and Asian producers of the coarser robusta coffees have often clamoured in the past for increased quota entitlements.

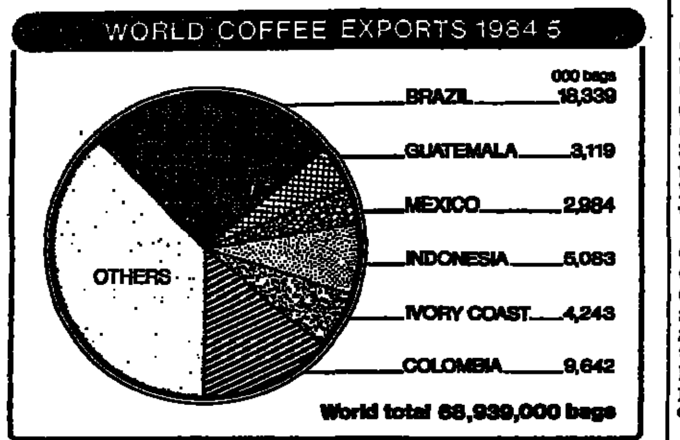
On the face of it, Brazil looks to be in a rather weak position to hang on to its full guaranteed market share of almost 30 per cent.

The reality is likely to be rather different. Brazil is a tough negotiator in affairs concerning coffee, which in normal years is still its number one export earner, and has made it perfectly clear that it will not accept a quota reduction. If attempts are made in this direction, the Government has threatened—with more than a hint of hyperbole—to walk out of the agreement.

The Brazilians have also been doing their utmost, some analysts suspect, to keep the coffee market on the boil, so that prices do not come down to a point which might trigger the reintroduction of quotas. And behind their huffing and puffing, they have been vigorously lobbying other producers—in particular, the main robusta exporter, the Ivory Coast. The result seems to be an acceptance—at least among important exporting countries—that quota will not be taken from Brazil on a lasting basis. This was confirmed yesterday, for example by the leading West African exporters.

What is virtually certain is that if and when quotas are reintroduced, Brazil will declare a one-off shortfall under ICO rules. Other producers can make up the gap while its coffee industry repairs the damage, and it can return to normal thereafter. That way, too, the delicate political balance underlying ICO export quotas—with Brazil, as dominant player, allowing the West African producers what some would argue to be a disproportionate market share—would be preserved.

On the precedent of past coffee negotiations, however, nobody will take any fresh decisions about quota distribution until they absolutely have to. Even if the importing countries continue to murmur about setting export quotas on a more "rational" or "objective" footing, there is little sign of consensus on what that might be. And in this case, as one delegate remarked yesterday, the ICO is not even under the pressure of an October 1 deadline to reach agreement.



Crude oil prices back below $15

By Lucy Kellaway

OIL PRICES in London fell back below $15 a barrel yesterday, with cargoes of Brent crude for October delivery changing hands for as little as $14.65 a barrel, 50 cents lower than on Monday, and about $1 lower than at the end of last week.

A report early on in the day claiming that Saudi Arabia exceeded its new production quota last week caused some selling in the market, traders said. For the first five days since the new ceilings came into force last Monday Saudi may have produced 5.1m barrels a day compared to its quota of 4.4m.

However, according to the Middle East Economic Survey, Opec members have stuck to their ceilings "with an impressive degree of seriousness" so far. It estimates that production last week was 17m barrels a day, of which Iraq, which is not included in the new arrangement, is producing about 2.2m. That means that the other Opec members are producing no more than their combined quota of 14.8m barrels a day.

In New York yesterday prices of crude oil continued to drift downwards, and West Texas Intermediate had fallen about 20 cents by early afternoon to about $15.45. Traders in the US seem to interpret the latest reversal as a reaction to the strong rises of last week, rather than heralding another large fall in prices.

Rubber pact talks in Kuala Lumpur

MR LIM KENG YAIK, Malaysia's Primary Industries Minister, held informal talks yesterday with US and EEC officials on the prospect of a new International Natural Rubber Agreement (INRA), Malaysian officials said, reports Reuter from Kuala Lumpur.

The US and EEC officials were in Kuala Lumpur for a meeting of the administrative committee of the International Natural Rubber Organisation, the administrative arm of INRA.

The five-year agreement, due to expire in October 1985, was exteneded to October 1987 to facilitate renegotiation.

At the last round of talks Malaysia, representing the producers, tried to raise the buffer stock reference price to 265 Malaysian/Singapore cents a kilo from the present 291.6 cents to reflect increased costs.

Pakistan's cotton price crisis

BY MOHAMMED AFTAB IN ISLAMABAD

THREE BUMPER cotton crops in as many years have spun the most serious commodity crisis in years for Pakistan: a problem of plenty, amid rapidly crumbling international prices.

"It is a threat to almost 40 per cent of all Pakistani export earnings," says Mr Mahbubul Haq, the Planning Minister. The country last year became the world's biggest cotton exporter.

Under the influence of good weather, high yields based on modern technology, and attractive prices offered to farmers by the Government purchasing monopoly cotton production rose from 5.9m bales in 1984-85 to 7.1m in 1985-86; and the 1986-87 crop, which is just moving on to the market, is predicted by the Ministry of Agriculture to reach a record 7.3m bales.

While Pakistan's crop has been soaring, however, prices have been heading downwards just as rapidly. In 1983, when the country exported only 575,000 bales of cotton from its drought and insect-reduced crop, it received an average sale price of 60.9 cents a pound. In 1984-85 exports reached 1.54m bales but the price was down to 50 cents a pound; and in 1985-86, as exports leapt to 3.86m bales, the average price slid to 36 cents a pound.

Apart from the upsurge in Pakistani production the weakness of the world cotton market has been influenced by the new US farm law which provides for large subsidies on cotton sales abroad, and the emergence of China as a significant exporter.

Having become the world's biggest cotton exporter the low level of world prices is particularly serious for Pakistan, which has a 1.5m bales carryover from 1985-86 to add to the record production in prospect for 1986-87.

Mr Mohammad Mansha, chairman of the All Pakistan Textile Mills Association (APTMA) estimates that the domestic textile and spinning industry will be in a position to consume between 2.8m and 3.0m bales in 1986-87, leaving an exportable surplus of 5.8m bales which will be difficult to sell in the present depressing global market.

World production is expected to reach 125m bales this year while there are carryover stocks of 50m bales. Consumption is forcast in the range of 70m to 75m bales for the year.

The US with 10m bales of exportable surplus is a major threat to Pakistan, especially in view of its new farm law. While its cotton sold at 83 cents a lb in 1984, the US low middlings price was close to 25 cents in July this year. Taiwan, a major buyer of Pakistani cotton with its annual off-take of close to 200,000 bales, is reported to have contracted with US, reports say, at 22 to 23 cents a pound. Pakistan's other major buyers are: Hongkong, Bulgaria, Bangladesh, Thailand, South Korea, Belgium, Finland, West Germany, Sweden, Italy and other European countries. Business sources in Karachi fear that the prices could crash to an all-time low of 20 to 25 cents a lb, following the American offensive. At the same time, China, another major buyer of Pakistani cotton, has itself become a net exporter, with an estimated current carryover stock of 40m bales.

PAKISTANI COTTON EXPORTS	Volume (million dollars)	Value (million bales
1981/82	1.35	294.7
1982/83	1.59	306.8
1983/84*	0.57	131.4
1984/85	1.54	289.5
1985/86	3.86	520.0

*Crop reduced by drought and insects.
Source: Pakistani Ministries

These growing pressures forced Pakistan to provide a $137m subsidy—the difference of price given to farmers and the price at which cotton was sold abroad—during 1985-86 (year ended June 30). A bigger subsidy will be required in 1986-87.

The 1986-87 crop is being contracted at 27 cents to 28 cents a lb for quality cotton and 24 to 25 cents a lb for other varieties.

US cotton prices have stabilised in the region of 23 cents to 26 cents per lb.

The US cotton ginning season, like that of Pakistan, has just started. "The pressure of US cotton has not built up yet, but it will become operative by December — which is the time for Pakistan to watch," says Mr Mansha. Mr S. M. Usman, secretary general of APTMA says: "The losses on account of cotton exports may escalate to $476m due to the fall in world prices of cotton, and the maintenance of the floor price to our farmers in 1986-87." The most conservative estimates put the cost of subsidising exports during the year at no less than $300m. But the Government has also just announced subsidy to domestic cotton consumers to improve their competitive position vis-à-vis the foreign textile manufacturers. The subsidised sales by the state-owned Cotton Export Corporation (CEC) to the Pakistani textile industry will be at around 30 cents a lb.

Technical rally fails to dispel market gloom

BY RICHARD MOONEY

WORLD COTTON prices have staged a strong recovery from the 12-year lows reached earlier this year. But they remain historically low and few people in the cotton trade would want to bet heavily on the recent rally being sustained.

With massive Chinese stocks still overhanging the market and subsidised US exports still threatening to undercut the best prices competitors can offer the fundamental market factors still look distinctly bearish.

On the New York market nearby cotton futures prices, which began the year at the relatively low level of 60 cents a lb and subsequently dipped to around 32 cents a lb, have risen by about 9 cents from the early August low. But most analysts attribute this rally to temporary, technical factors.

"The market was overdone on the downside, and the correction has been overdone as well," says Mr E. Southworth of Ralli Brothers and Coney, a Cargill subsidiary.

He explains that the cotton yarn and textile trade, which is very profitable at current price levels, responded to the bargain-basement market by building up stocks and covering further forward than normal for future raw cotton requirements.

At the same time, Mr Southworth says, the new US export subsidy policy, which was largely responsible for the sudden drop in prices in the early summer, has resulted in a short-term supply disruption.

This is because the complications of the system have caused delays of up to four weeks in the certification of export shipments.

Neither of these factors can be expected to buoy the market up for long.

At Cotton Outlook, the Liverpool-based news letter, Mr John Garner points out that the recent bullish sentiment in New York has also been encouraged by a successful start to this year's US sales campaign. Since the marketing season started last month more than 3.5m bales (480 lbs each) have been contracted for export out of a seasonal target of 6m bales. For the world market as a whole, however, this would appear to be a bearish factor.

Further encouragement for the US price rise has been provided by rain and temperature problems in Texas growing areas and insect problems in California.

Counteracting these arguments is the heavy volume of world stocks—currently estimated at more than 50 per cent of annual demand.

World demand for cotton has been increasing at quite a healthy rate, holding its own against or even overtaking man-made fibres. Mr Roy Keeling, UK director of the International Cotton Institute, estimates current demand at about 73m bales a year, up from 53m ten years ago. "The problem is that it has not been rising anything like as fast as production," he says.

This problem can be laid largely at China's door. Chinese cotton production has climbed from about 12m bales a year at the beginning of this decade to around 19.5m bales. And its stocks have shot up over the same period from about 3m bales to 17.5m bales, according to the International Cotton Advisory Committee.

There is some argument about the marketability of this cotton, both in terms of quality and in terms of the practicality of shipment. But the fact remains that China has enough cotton in reserve to cover any potential production shortfalls anywhere in the world for several years at least.

In the coming months, however, the focus of attention will be switching back to the US, where the debate about the export policy for the 1987 crop will be getting underway. America's cotton producing competitors will be hoping that this will not result in another year of chasing the market down with subsidised sales, no matter what the cost.

LONDON MARKETS

THE PLATINUM price fell heavily on the London market yesterday in a continued reaction against recent strong gains. The afternoon fixing set the price at $622.50 a troy ounce, down $41.25 on the day, following Monday's $10 fall. The gold price, which had also been rising sharply until this week, was relatively steady, falling only $4.50 to $411.50 an ounce, repeating Monday's decline. On the London Metal Exchange the cash aluminium price sustained the first setback in six trading days with a $4 fall to $817 a tonne, but the supply squeeze which had been pushing the price higher was still in evidence with the premium over the three-months position widening by £2 to £28.50 a tonne. Other LME base metals continued Monday's drift, and coffee and cocoa values fell back a few pounds.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Sept 9	Sept 8	M'th ago	Year ago
1497.8	1488.9	1460.1	1736.6

(Base: September 18 1931=100)

DOW JONES

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

MEAT

RUBBER

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

POTATOES

SUGAR

LONDON METAL EXCHANGE WAREHOUSE STOCKS

Changes during week ending last Friday (tonnes)

Aluminium	+5,775 to 162,525
Copper	+2,600 to 42,375
Lead	+414 to 8,154
Nickel	−290 to 47,125
Tin	−250 to 25,725
Zinc	
Silver (ounces)	−1,290,000 to 25,454,000

US MARKETS

DESPITE NEWS from the coffee producers' meeting in Costa Rica of plans to implement tighter quotas for the first quarter of the new year, New York coffee futures again slipped below the key 200c per pound support level in the December position, reports Heinold. General apathy following a mostly constructive London morning session again puzzled many onlookers, although some traders still expressed a friendliness towards the market in the longer term. The market closed 3.60c down on the day at 197.90c. Details of the latest Leslie maize and soyabean crop estimate for 1986, which surpassed the USDA projections of last month, were released too late to dampen a firm soyabean market, with the November position firming to $4.79. Platinum futures again moved limit-down to close at $627.7 in the October position, concluding another turbulent session. Gold lost less than $2 on the day in December and silver actually extended its gains a little to finish at $5.77 in the leading December delivery.

NEW YORK

CHICAGO

OIL

FREIGHT FUTURES

GAS OIL FUTURES

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,375-2,500.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.35.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots 0.89-0.94, sticks, 0.90-0.95.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 3.80-4.25.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 124-135.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.00-3.05.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.10-5.30.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3 cif, 33-43.

VANADIUM: European free market, min 98 per cent V_2O_5 other sources, $ per lb V_2O_5 cif, 2.45-2.52.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

THE DOLLAR lost ground in currency markets yesterday in response to growing speculation that Japanese and West German interest rates would not be cut. There was a wealth of evidence from various officials stressing the lack of justification on a domestic basis for a cut in the discount rates of these two countries. Consequently the dollar moved back after its recent firmer trend to finish down on the day.

Comments by Mr Baldrige, US Commerce Secretary stressing the high value of the dollar against its largest trading partner Canada, pushed the US unit weaker against the Canadian dollar. On Bank of England figures, the dollar's exchange rate index fell from 111.2 to 110.9.

Against the D-Mark it fell to DM 2.06 from DM 2.0715 and Y155.60 compared with Y156.10. It was also weaker against the Swiss franc at SFr 1.6750 from SFr 1.6890 and FFr 6.73 from FFr 6.7750.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. August average 1.4870. Exchange rate index fell to 71.4 from 71.7 at the opening and 71.8 on Monday. The six months ago figure was 73.7.

Sterling tended to move with the dollar and consequently lost ground against European currencies. A fall in the oil price was not encouraging while disappointing UK money supply figures and the consequent fading of hopes for a base rate cut gave no support. The pound fell to DM 3.0550 from DM 3.08 and Y230.75 compared with Y232.0. Elsewhere it closed at SFr 2.4850 from SFr 2.5125 and FFr 9.9850 from FFr 10.0750. Against the dollar it drifted to $1.4835 from $1.4870.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0240. August average 2.0624. Exchange rate index 139.7 against 135.3 six months ago.

The D-Mark was confined to a fairly narrow range against the dollar in Frankfurt yesterday. After recent support at the dollar's lower level, the US unit met resistance towards the upper levels of recent trading ranges. At the fixing it was quoted at DM 2.0647 compared with DM 2.0640 and there was no intervention by the Bundesbank. Elsewhere the prospect of no change in the West German discount rate after tomorrow's meeting of the Bundesbank central council kept the D-Mark firm within the EMS, although there was no appreciable weakening by currencies such as the Danish krone. The dollar closed at DM 2.0575, down from DM 2.0645, on a late bout of profit-taking.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. August average 154.15. Exchange rate index 215.9 against 191.2 six months ago.

Trading was rather quiet and lacklustre in Tokyo with the dollar giving up some of its firmer trend seen earlier in New York. It closed at Y155.95 down from Y156.05 in New York but up from Y155.40 in Tokyo on Monday. Japanese second quarter GNP figures were due for release after the close of trading and were not expected to cause much of a stir. News of a fall in the Japanese trade surplus from July's record level also failed to have any impact.

£ IN NEW YORK

Sept. 9	Latest	Prev. close
Spot	$1.4765-1.4775	$1.4834-1.4845
1 month	0.50-0.48 pm	0.51-0.49 pm
3 months	1.47-1.45 pm	1.47-1.44 pm
12 months	4.90-4.80 pm	5.00-4.90 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4815-1.4885	1.4830-1.4840	0.54-0.51c pm	4.25	1.48-1.43pm	3.92
Canada	2.0507-1.0593	2.0507-2.0536	0.35-0.29c pm	1.12	0.86-0.71pm	1.53
Nethlnd.	3.44-3.47	3.44-3.45	1½-1¼c pm	5.22	4⅞-4pm	4.79
Belgium	63.30-63.75	63.30-63.40	19-14c pm	3.13	49-38pm	2.75
Denmark	11.56-11.64	11.56-11.57	⅝pm-⅛ore dis	−0.45	1⅞-2dis	−0.58
Ireland	1.1115-1.1165	1.1120-1.1130	par-0.10c dis	−0.54	0.10-0.30dis	−0.72
W. Ger.	3.06-3.07½	3.05-3.06	1½-1¼pf pm	5.89	4⅞-4pm	5.48
Portugal	217.33-218.63	217.33-218.96	80-145c dis	−6.15	270-485dis	−6.93
Spain	200.31-201.25	200.38-200.68	30-70c dis	−2.99	95-165dis	−2.59
Italy	2108-2123	2106-2107	1-4 lire dis	−1.42	4-10dis	−1.33
Norway	10.90½-10.95½	10.90½-10.91½	3½-4ore dis	−4.25	11½-12½dis	−4.45
France	9.98-10.06	9.98-9.99	2½-2¼c pm	2.93	6⅝-5¾pm	2.48
Sweden	10.28½-10.34	10.28½-10.29½	½-¼ore pm	0.07	1¼-½pm	0.32
Japan	230-232	230½-231½	1⅜-⅞y pm	5.19	3-2¾pm	4.95
Austria	21.51-21.64	21.51-21.54	10-9gro pm	5.28	25¾-22⅞pm	4.46
Switz.	2.48-2.50½	2.48-2.49	1½-1¼c pm	6.64	3⅞-3⅝pm	5.63

Belgian rate is for convertible francs. Financial franc 63.30-64.00. Six-month forward dollar 2.78-2.73c pm, 12-month 5.10-5.00c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4815-1.4885	1.4830-1.4840	0.54-0.51c pm	4.25	1.48-1.43pm	3.92
Ireland†	1.3325-1.3392	1.3358-1.3385	0.50-0.25c pm	3.82	1.70-1.20pm	4.35
Canada	1.3800-1.3865	1.3805-1.3815	0.25-0.28c dis	−2.30	0.81-0.86dis	−2.42
Nethlnd.	2.3180-2.3385	2.3220-2.3230	0.19-0.14c pm	0.85	0.50-0.45pm	0.82
Belgium	42.58-42.91	42.65-42.75	3-5c dis	−1.12	10-15dis	−1.17
Denmark	7.78½-7.84½	7.78½-7.79½	1.85-2.45ore dis	−3.30	6.10-6.75dis	−3.29
W. Ger.	2.0540-2.0745	2.0595-2.0605	0.30-0.27pf pm	1.66	0.80-0.75pm	1.50
Portugal	146½-147½	146½-147	115-150c dis	−10.79	315-430dis	−10.12
Spain	134.50-135.28	134.75-134.85	70-85c dis	−6.88	195-220dis	−6.29
Italy	1418-1429	1419½-1420½	5-7½ lire dis	−5.27	0.76-0.71pm	1.75
Norway	7.34-7.37½	7.35½-7.36½	5.25-5.65ore dis	−8.88	6.00-6.40dis	−3.57
France	6.7150-6.7790	6.7295-6.7305	0.65-0.80c dis	−1.29	17-20½dis	−5.27
Sweden	6.92½-6.96½	6.93½-6.93½	2.10-2.40ore dis	−3.89	2.30-2.55dis	−7.44
Japan	155.50-156.00	155.55-155.65	0.18-0.13y pm	1.19	15.15-15.55d	−3.35
Austria	14.46-14.59½	14.46-14.48	1½-1gro pm	1.03	0.51-0.46pm	1.25
Switz.	1.6890-1.6915	1.6745-1.6755	0.32-0.27c pm	2.10	[illegible]	0.75

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.05-43.15.

CURRENCY MOVEMENTS

Sept. 9	Bank of England Index	Morgan Guaranty Change %
Sterling	71.4	−21.3
U.S. Dollar	110.9	+2.3
Canadian Dollar	77.8	−12.6
Austrian Schilling	131.0	+8.2
Belgian Franc	96.6	−6.4
Danish Kroner	87.9	−0.3
Deutsche Mark	139.7	+17.8
Swiss Franc	167.1	+21.8
Guilder	129.2	+11.7
French Franc	69.6	−13.6
Lira	47.8	−16.2
Yen	215.9	+60.5

Morgan Guaranty changes: Averages 1980-82=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Sept. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.810473	0.685526
US $	5½	1.20566	1.01942
Canadian $	8.47	*	1.40985
Austria Sch	4	17.5170	14.8122
Belgian Fr	8	51.5640	43.5829
Danish Kr	7	9.42826	7.96679
D'mark	3½	2.48898	2.10460
Guilder	4½	2.80796	2.37413
French Fr	9½	—	6.87805
Lira	12	—	1451.66
Yen	3½	188.384	158.826
Norway Kr	8	8.87607	7.49938
Span'h Pta	—	62.886	137.724
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Sept 8: 1.68276.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: two years 8⅜-8⅝ per cent; three years 7-7½ per cent; four years 7¾-7⅞ per cent; five years 7⅞-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others two days' notice.

‡ Correction: Canadian dollar September 8 three months 8⅝-8⅝, six months 8⅝-8⅞, one year 8¾-9.

OTHER CURRENCIES

[illegible]

* selling rate

FINANCIAL FUTURES

Gilts weak on M3

LONG-TERM gilt futures weakened on the London International Financial Futures Exchange yesterday. The December contract opened firm at 118-09, and rose to a peak of 118-14, as sterling held steady on the foreign exchanges in early trading, and traders also moved to cover short positions, ahead of the UK money supply figures for mid-August. The level of 118-14 was a technical resistance point, however, which the market failed to break. The early rally did not last and the contract fell to a low of 117-00 in the afternoon on disappointing money supply data, before closing at 117-08, compared with 118-00 on Monday. Forecasts for the rise in sterling M3 ranged from 0.25 per cent to 0.75 per cent, with the increase in bank lending expected to be around £2bn.

The increase of 1.25 per cent in M3 and £2.5bn in bank lending was therefore worse than generally expected, and was regarded as a further setback to hopes of a cut in clearing bank base rates.

Three-month sterling deposits also weakened on the money supply news. December delivery opened little changed at 90.53, and touched a high of 90.56, before falling to 90.39, and closing at 90.40, against 90.54 previously.

Dollar-denominated contracts were generally steady to firm.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
116	2.56	3.55	—	—	1.38	2.49	—	—
118	1.54	2.57	—	—	2.36	3.51	—	—
120	1.07	2.06	—	—	3.53	5.00	—	—
122	0.40	1.30	—	—	5.22	6.24	—	—
124	0.20	1.01	—	—	7.02	7.59	—	—
126	0.10	0.43	—	—	8.56	9.37	—	—
128	0.04	0.28	—	—	10.50	11.22	—	—
130	0.02	—	—	—	12.48	—	—	—

Estimated volume total, Calls 1,045, Puts 325
Previous day's open int., Calls 9,246, Puts 2,650

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
88	8.51	—	—	—	0.26	—	—	—
90	7.07	—	—	—	0.45	—	—	—
92	5.38	6.23	—	—	1.12	2.57	—	—
94	4.16	5.15	—	—	1.54	3.49	—	—
96	3.08	4.16	—	—	2.46	4.50	—	—
98	2.14	3.26	—	—	3.52	5.59	—	—
100	1.34	2.44	—	—	5.06	7.14	—	—
102	1.01	2.06	—	—	6.39	8.40	—	—

Estimated volume total, Calls 100, Puts 12
Previous day's open int., Calls 314, Puts 811

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
140	8.55	8.55	8.55	8.55	0.00	0.14	0.64	1.20
145	3.55	3.97	4.43	4.83	0.00	0.94	1.98	2.83
150	0.09	1.31	1.99	2.50	1.64	3.28	4.54	5.50
155	0.00	0.27	0.72	1.12	6.55	7.34	8.27	9.12
160	0.00	0.03	0.20	0.43	11.55	12.00	12.75	13.43
165	0.00	—	—	0.15	16.55	—	—	18.15

Estimated volume total, Calls 0, Puts 208
Previous day's open int., Calls 4,286, Puts 5,541

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
135	19.80	—	—	19.80	0.50	—	—	1.50
140	8.90	8.90	8.95	9.30	0.05	0.30	0.90	1.50
145	3.90	4.25	5.05	5.50	0.15	1.10	2.20	3.15
150	0.30	1.60	2.45	3.05	1.75	3.30	4.75	5.75
155	0.10	0.45	1.05	1.60	6.80	7.25	8.30	9.20
160	0.05	—	—	0.75	11.80	—	—	13.45
165	0.20	—	—	0.70	17.40	—	—	18.70

Previous day's open int. Calls 2,544, Puts 2,313
Volume. 10

PHILADELPHIA £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Sept	Oct	Nov	Dec	Puts—Last Sept	Oct	Nov	Dec
1.30	17.45	12.45	7.45	17.45	—	—	—	0.10
1.35	12.45	7.45	3.60	12.45	—	—	—	0.45
1.40	7.45	2.90	1.85	8.85	—	1.15	0.80	1.40
1.45	3.50	1.00	0.70	4.85	0.05	0.80	2.10	3.00
1.50	0.10	1.05	2.05	2.40	2.20	3.15	4.50	5.50
1.55	—	0.25	0.90	1.35	6.50	7.20	8.30	—
1.60	—	0.05	0.25	0.50	11.60	12.00	12.70	13.40

Previous day's open int., Calls —, Puts —
Previous day's volume, Calls —, Puts —

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
9225	1.82	1.80	1.67	—	0.00	0.00	0.03	—
9250	1.57	1.56	1.43	—	0.00	0.00	0.04	—
9275	1.32	1.31	1.21	—	0.00	0.01	0.07	—
9300	1.07	1.07	0.98	—	0.00	0.02	0.10	—
9325	0.82	0.84	0.78	—	0.00	0.04	0.15	—
9350	0.57	0.62	0.61	—	0.00	0.07	0.22	—
9375	0.32	0.43	0.46	—	0.00	0.13	0.31	—

Previous day's open int., Calls 2,293, Puts 2,707
Estimated Vol., Calls 5, Puts 22

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING $ per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	90.50	90.61	90.48	90.60
June	90.42	90.50	90.47	90.50
Sept	90.15	90.21	90.21	90.20

Est. Volume 4,050 (3,014)
Previous day's open int. 15,304 (15,098)

FT-SE INDEX £25 per full index point

	Close	High	Low	Prev
Sept	1.6940	1.6930	1.6750	168.00
Dec	1.7175	1.7280	1.7150	171.25
March	1.7475	—	—	174.25

Est. Volume 342 (249)
Previous day's open int. 2,437 (2,447)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	94.07	94.09	94.02	94.03
Dec	94.05	94.07	94.00	93.99
March	93.89	93.91	93.87	93.86
June	93.66	93.69	93.65	93.65
Sept	93.31	93.36	93.32	93.33
Dec	92.83	92.87	92.87	92.85
March	92.54	—	—	92.58

Est. Volume 5,043 (9,808)
Previous day's open int. 24,815 (24,380)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	97-06	97-15	97-13	97-05
Dec	96-13	96-28	96-06	95-13
March	95-15	—	—	95-15

Est. Volume 5,548 (9,724)
Previous day's open int. 4,480 (4,270)

STERLING INDEX

	Sept 9	Previous
8.30 am	71.7	71.9
9.00 am	71.7	71.9
10.00 am	71.8	71.8
11.00 am	71.7	71.7
Noon	71.7	71.8
1.00 pm	71.6	71.7
2.00 pm	71.6	71.7
3.00 pm	71.6	71.7
4.00 pm	71.4	71.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	+1.00	+0.85	±1.5368
Danish Krone	[illegible]	[illegible]	+1.92	+1.78	±1.6403
German D-Mark	[illegible]	[illegible]	−0.30	−0.44	±1.1127
French Franc	6.87316	6.87805	+0.07	−0.07	±1.3659
Dutch Guilder	2.37833	2.37413	−0.18	−0.32	±1.5068
Irish Punt	0.764976	0.763613	−0.18	−0.32	±1.6683
Italian Lira	1476.95	1451.66	−1.71	−1.71	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Little hope of lower interest rates

THE West German Bundesbank provided extra liquidity for the domestic money market when it accepted bids of DM 12bn at yesterday's tender for a 35-day securities repurchase agreement, at a fixed rate of 4.35 per cent. Bids totalled DM 18.5bn, and banks will be credited with the funds today, when an earlier agreement of DM 10.1bn expires. The extra liquidity of nearly DM 2bn was not regarded as a signal that the Bundesbank council meeting tomorrow will cut the 3.5 per cent discount rate however. It was generally felt that the funds were needed to prevent money market rates from rising at a time when banks will be making large tax payments on behalf of customers. Call money in Frankfurt firmed slightly to 4.45 per cent from 4.40 per cent.

In London expectations of an early cut in interest rates were pushed further into the background by disappointing UK money supply and bank lending figures. Sterling M3 rose 1.25 per cent, against forecasts of around 0.5 per cent, and the previous month's increase of 0.1 per cent. Bank lending remained high at £2.5bn, compared with expectations of about £1.75bn to £2bn.

These figures, coupled with fading hopes of early cuts in West German and Japanese discount rates, kept money market rates firm. Three-month interbank closed at 9 15/16-10 per cent, compared with 9⅞-10 per cent.

Day-to-day credit conditions in the money market were comfortable, as a result of refunds on petroleum revenue tax. Exchequer transactions added £1,085m to liquidity, including about £800m in PRT money.

There was a fall in the note circulation of £70m. These factors were slightly outweighed by bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills of £843m, and the unwinding of bill repurchase agreements of £555m.

The Bank of England initially forecast a market shortage of £50m, but this was revised to £150m at noon, and to £200m in the afternoon. Total help of £204m was provided.

Before lunch the authorities gave assistance of £82m, buying £78m bank bills in band 3 at 9¾ per cent, and £4m bank bills in band 4 at 9 11/16 per cent.

In the afternoon £122m bills were purchased, by way of £70m bank bills in band 2 at 9 13/16 per cent; £50m bank bills in band 3 at 9¾ per cent; and £2m bank bills in band 4 at 9 11/16 per cent.

UK clearing bank base lending rate 10 per cent since May 22

FT LONDON INTERBANK FIXING
(11.00 a.m. September 9)

Three months US dollars		Six months US dollars	
bid 5 15/16	Offer 6 1/16	bid 6 1/16	Offer 6 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK RATES

(Lunchtime)

Prime rate	7½
Broker loan rate	6⅞-7
Fed funds	5⅞
Fed funds at intervention	5⅞
Treasury Bills & Bonds	
One month	4.90
Two month	5.05
Three month	5.26
Six month	5.58
One year	5.75
Two year	6.29
Three year	6.59
Four year	6.83
Five year	6.91
Seven year	7.18
10 year	7.38
30 year	7.55

MONEY RATES

Sept. 9	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v't'n
Frankfurt	4.40-4.50	4.35-4.50	4.35-4.50	4.35-4.50	4.35-4.50	5.5
Paris	7	7 1/16-7⅛	7 1/16-7 3/16	7-7⅛	7-7⅛	7
Zurich	⅞-1⅛	4-4⅛	—	4 1/16-4⅛	—	—
Amsterdam	5 5/16-5⅛	5 5/16-5⅛	—	5⅛-5¼	—	—
Tokyo	4.59375	4.84375	—	4.71875	—	—
Milan	11⅛-11¼	11⅛-11⅛	—	11-11⅛	—	—
Brussels	7.40	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	9¼-9¾	9¾-10	9 11/16-10	9¾-10	9⅞-9⅞	—

LONDON MONEY RATES

September 9	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-11	9⅞-10⅛	10-10⅛	9⅞-10	[illegible]	[illegible]
Sterling CDs	—	—	9⅞-10 1/16	9¾-9⅞	[illegible]	[illegible]
Local Authority Depos	9½-10	9¾-10	10⅛	9 15/16-10	[illegible]	[illegible]
Local Authority Bonds	—	—	10⅛	10⅛	[illegible]	[illegible]
Discount Mkt. Depos	6-9 15/16	9⅞	9⅞	9½	[illegible]	[illegible]
Company Depos	8-10⅛	8⅛-9⅞	10	10	[illegible]	[illegible]
Finance House Depos	—	—	10⅛	10	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	9 11/16	9 11/16	[illegible]	[illegible]
Bank Bills (Buy)	—	—	9 13/16	9 13/16	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	[illegible]	[illegible]
Dollar CDs	—	—	5.90-5.85	5.80-5.75	[illegible]	[illegible]
SDR Linked Depos	—	—	6-6¼	5⅞-6	[illegible]	[illegible]
ECU Depos	—	—	7 1/16-7⅛	7⅛-7¼	[illegible]	[illegible]

Treasury Bills (sell): one month 9 19/32 per cent; three months [illegible] per cent. Bank Bills (sell): one month 9 23/32 per cent; three months [illegible] per cent. Treasury Bills: Average tender rate at discount 9.4446 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): [illegible] per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from August 21. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 8½ per cent.

London & Scottish banks' balances

as at August 20 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	23,958		−1,709	
UK private sector	88,911		+1,156	
UK public sector	2,942		−36	
Overseas residents	13,867		−210	
Certificates of deposit	8,209		−895	
		137,887		−1,724
of which: Sight		56,796		+376
Time (inc. CDs)		81,091		−2,099
Foreign currency deposits:				
UK monetary sector	16,535		−296	
Other UK residents	7,227		+365	
Overseas residents	44,558		+786	
Certificates of deposit	5,479		+146	
		73,851		+1,003
Total deposits		211,737		−721
Notes in circulation		922		−30
Other liabilities*		37,774		+396
TOTAL LIABILITIES		250,433		−355
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	464		0	
Other balances	2,290		+194	
		2,754		+194
Market loans:				
Discount houses	3,888		−484	
Other UK monetary sector	23,535		−1,797	
UK monetary sector CDs	4,206		+345	
Local authorities	589		−38	
Other	3,556		−74	
		35,724		−2,147
Bills:				
Treasury bills	242		+77	
Other bills	2,902		−355	
		3,143		−278
Investments:				
British Government stocks	4,016		+268	
Other	4,567		+44	
		8,583		+312
Advances:				
UK private sector	82,241		+384	
UK public sector	333		+67	
Overseas residents	5,772		−7	
		88,346		+445
Other sterling assets*		14,255		+389
Foreign currencies				
Market loans:				
UK monetary sector	16,754		−626	
Certificates of deposit	526		+6	
Other	35,365		+912	
		52,645		+293
Bills		578		−124
Advances:				
UK private sector	6,885		+43	
UK public sector	878		−4	
Overseas residents	17,542		+92	
		25,306		+130
Other foreign currency assets*		9,080		+222
TOTAL ASSETS		250,433		−355
Acceptances		[illegible]		[illegible]
Eligible liabilities		[illegible]		[illegible]

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westminster £m	Royal Bank of Scotland £m	Standard Chartered £m
LIABILITIES OUTSTANDING								
Sterling deposits	137,887	5,836	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	−1,724	−53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Foreign currency deposits	73,851	1,049	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	+1,003	+3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total deposits	211,737	6,877	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	−721	−45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STERLING ASSETS OUTSTANDING								
Cash and balances with the Bank of England	2,754	315	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	+194	−2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Market loans—UK monetary sector	27,373	598	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Government stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FOREIGN CURRENCY ASSETS OUTSTANDING								
Market loans and bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advances	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ACCEPTANCES OUTSTANDING	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ELIGIBLE LIABILITIES OUTSTANDING	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change on month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102¼	100¼	Exch. 14pc 1986	100¼	.....	13.94	10.16
98¾	94⅞	Exch. 2½pc 1986	98¾	+1/16	2.53	7.63
102¾	100⅞	Exch. 13¼pc 1987	101	–⅛	13.12	10.10
100⅞	97¼	Treas 10¼pcCv '87	100	–1/16		10.05
97¾	92½	Exch 2½pc 1987	97½	+1/16	2.56	7.41
101¾	97½	Exch. 10½pc 1987	100¼xd	–1/16	10.47	10.00
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅝	.....	6.61	9.12
101¼	96½	Treas. 10pc 1987	100	–1/16	10.01	9.91
97⅛	90⅞	Treas 3pc 1987	96¼	.....	3.12	7.66
104⅜	99⅜	Treas. 12pc 1987	102¼	–⅛	11.74	9.89
99⅝	92½	Treas 7¾pc 1985-88‡‡	97⅛	–1/16	7.95	9.63
104	96¾	Exch 10½pc '88	100¾	–⅛	10.43	9.91
102⅝	95¼	Treas 9¾pc Cv '88	99½	–⅛	9.78	9.91
94⅝	86⅝	Transport 3pc '78-88	92¾	+1/16	3.22	7.35
102½	93½	Treas. 9½pc '88	99⅛	–⅛	9.59	9.96
107⅛	98⅛	Treas 11½pc 1989	103⅛	–⅛	11.10	9.77
103½	93¼	Treas 9½pc Cnv. '89	99⅛	–⅛	9.58	9.85
92¼	82⅛	Treas 3pc 1989	89½	–1/16	3.36	7.38
105⅛	95⅛	Treas 10½pc 1989	101⅛	–⅛	10.35	9.92
104⅛	94¼	Exch.10pc 1989	100⅛	–⅛	9.98	9.91
107⅛	97	Exch 11pc 1989	102⅜xd	–1/16	10.67	9.86
93⅛	84½	Treas 5pc 1986-89	90½xd	–1/16	5.52	8.49
110⅛	94⅝	Exch 10¼pcCv '89	102¼	–½	9.96	9.18
114⅛	103⅛	Treas 13pc 1990‡‡	108⅝	–½	11.94	9.82
108⅝	97⅞	Exch 11pc 1990‡‡	103⅞	–½	10.65	9.83
113⅝	101⅛	Exch. 12½pc 1990	107¼xd	–½	11.58	9.87
89⅝	79⅝	Treas. 3pc 1990	85⅝	.....	3.52	7.52
100⅛	89⅛	Treas 8¼pc 1987-90‡‡	97	–⅛	8.51	9.20
106⅛	93	Treas. 10pcCv 1990	100½	–½	9.94	9.84
86⅛	76½	Exch 2½pc 1990	82½	+⅛	3.01	7.26
112⅛	99⅛	Treas 11¾pc 1991	106¾	–½	11.01	9.78
94¼	83⅛	Funding 5¾pc '87-91‡‡	90¼xd	–1/16	6.35	8.31
86⅝	82½	Treas. 3pc 1991●	82½	–⅛	3.65	7.53
		Five to Fifteen Years				
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

1986 High	1986 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37¼	29⅛	Chemical New York	33¼xd	–⅛	$2.60	—	5.7
35⅛	26⅝	Chesebrough-Pond's $1	31½xd	.....	$2.00	—	4.3
31¼	19¾	Chrysler $6¼	26⅝	.....	$1.40	—	3.6
42⅛	33½	Citicorp $4	35¼xd	–1½	$2.26	—	4.4
12¼	774p	CityFed Fin. Corp.	10⅞	–½	40c	—	2.5
28⅛	21½	Colgate-P. $1	25⅜	–1¼	$1.36	—	3.7
66¼	42½	Colt Inds. $1	64⅜xd	.....	$2.50	—	2.6
22⅛	16⅝	Cons Freightways $0.625	21⅝	+1	82c	—	2.6
819p	399p	Contl Illinois Corp $1	412p	+9	—	—	—
89⅛xd	16p	Cont Illinois Hldgs $1	16⅛xd	–1½	—	—	—
64p	39p	♦Corporate Data Scens.	45p	.....	—	—	—
13⅛	529p	Cullinet Sftwr $0.1	530p	–27	—	—	—
287p	34p	Damson Oil 40c	67½xd	+½	—	—	—
23⅝	17⅝	Dana Corp. $1	20	.....	$1.28	—	4.4
33⅝	20⅛	Data General	24⅛	–⅜	—	—	—
24⅛xd	11½xd	♦Derma-Lock Medicl	11½xd	.....	—	—	—
79	55¼	Dun & Bradstreet $1	74	–1¼	$2.56	—	2.4
52⅛	42½	Eaton Corpn. 50c	47	–½	$1.60	—	2.3
25¼	18⅝	FPL Group $0.01	22⅞	.....	$2.04	—	6.1
13⅛	625p	Fairmont Fin.	11¾	–⅛	—	—	—
11½	524p	Fla. Corpn. Amer. 50c	563p	–8	—	—	—
23⅛	19	First Chicago $5	19xd	–½	$1.32	—	4.7
42½	25⅛	Ford Motor $2	38⅝	–½	$2.20	—	3.9
28⅛	20	GATX 62½c	23xd	.....	$1.50	—	4.5
54⅛	47⅛	Gen. Elect. $1¼	52¼	+⅛	$2.32	—	3.0
16⅛	612p	♦General Host Corp $1	11¼	–1	22c	—	1.3
32⅛	24	Gillette $1	28⅛	–⅛	$2.72	—	6.5
15⅛	10	Gt Am First Svgs Bk $1	12⅛xd	–1	♦26.7c	—	1.4
31⅛	23⅛	Gt. Western Fin. $1	27⅛	–⅛	$1.20	—	2.9
25⅛	20⅛	Greyhound $1.50	20⅝xd	.....	$1.26	—	4.1
20⅛	11½	Hasbro Inc $0.50	17⅞	–⅛	9c	—	0.3
57⅛	42	Honeywell $1.50	48½	+⅞	$2.00	—	2.8
28	22⅞	Hospital Corp Am $1	25⅞	.....	50c	—	1.3
24⅛	19⅛	Houston Inds Incl	22½	–1½	$2.80	—	8.5
112⅛	87⅞	IBM Corpn $1.25	96⅛	+2⅜	$4.40	—	3.1
19⅛	12⅝	IC Industries	18⅛xd	–⅛	72c	—	2.7
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
77	32	Copson (F.) 5p	63	–2	1.75	♦	4.0	♦
588	452½	Costain Group	554	–14	17.0	2.8	4.4	10.1
483	296	Countryside Props	483	.....	†5.74	5.1	1.7	12.2
189	124	Crouch (D.J) 20p	160	.....	†5.95	2.3	5.3	11.5
112	84	Dew (George) 25p	112	.....	6.0	1.2	7.5	15.8
138	75	Douglas (Robt. M)	130	.....	0.75	2.6	1.9	(23.1)
24	18½	♦Dunton Group 5p	19	.....	†0.24	4.3	1.8	14.6
160	110	♦EBC 50p	118xd	.....	†5.72	2.5	7.3	7.6
106	65	Erith	106	.....	3.3	1.6	4.4	19.5
165	106	Fairbriar 10p	165	.....	14.0	2.9	3.4	14.2
97	77	Feb. Intl. 10p	80	.....	1.78	—	3.1	—
71	54	Do. 'A' 10p	64	.....	1.78	—	3.9	—
172	51	Federated Housing 5p	140	.....	13.3	3.0	3.3	14.0
70	56	Finlan Group 10p	70xd	.....	x3.04	♦	7.6	♦
93	79	Galliford 5p	88	.....	4.4	1.5	7.0	13.7
48	27	Gibbs Dandy A 10p	42	.....	1.8	3.0	6.0	7.7
385	254	Gleeson (M.J) 10p	380	.....	†5.37	5.4	2.0	13.1
[illegible]								

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
21	16	Stormgard 10p	17	.....	—	—	—	♦
42	24	Sumrie 20p	28	.....	—	—	—	—
525	412	Superdrug Strs. 10p	475	.....	5.0	♦	1.5	♦
235	150	♦T & S Stores 5p	230	.....	3.0	3.1	1.8	24.7
78	33	Tern Group	35	.....	♦82.0	0.2	8.0	—
151	100	Tibbet & Britten 5p	148	.....	R3.5	2.6	3.3	16.5
80	57	Time Prods. 10p	78½	.....	2.8	2.7	4.0	11.9
190	170	Tip Top 10p	190	.....	12.0	3.3	1.5	26.9
*95	57	Top Value Inds 10p	75	.....	H2.5	—	4.7	—
194	157	Underwoods 10p	183	.....	L1.65	3.3	1.3	38.6
46	28	Upton (E) 'A'	46	+3	—	—	—	—
102	81	♦Walker (Frank) 5p	82	–1	s4.5	1.9	7.7	9.8
374	226½	Ward White	372	.....	6.5	3.3	2.5	16.3
141½	107	Do Cnv Red Prf 10p	138	.....	6.8	—	6.1	—
70	51	Wassall (J. W.)	64	.....	—	—	—	10.3
189	140	♦Wickes 40p	188	.....	12.0	4.2	1.5	20.9
[illegible]								

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
44	38	♦Bipel 5p	43½	+1	R1.23	3.1	4.0	10.9
153	84	Bimid Qualcast	133	.....	†3.75	2.6	4.0	12.7
200	108	Birmingham Mint	182	.....	6.25	0.6	4.8	11.5
*60½	34	Blackwood Hodge	45	+½	H1.0	4.0	3.2	8.0
625	260	Boulton Engineers £1	580	.....	♦†12.0	3.7	2.9	13.1
24	8	Boulton Wm 10p	17	–½	8—	—	—	—
130	75	Braithwaite £1	125	.....	—	—	—	—
95	61	Brasway 10p	84xd	.....	2.25	♦	3.8	♦
7	4½	Bristol Ch.Ship10p	6½	+¼	—	—	—	14.7
145	94	Bromsgrove Inds 5p	110	–4	1.3	♦	1.7	♦
34	15	Brass Eng. 10p	30½	+½	0.5	1.6	2.3	(32.0)
50	25	Brooke Tool 5p	35	.....	†1.25	3.9	5.0	7.0
31	19	Brown (John)	29	.....	♦—	—	—	—
305	195	Bullough 20p	285	.....	†8.2	2.6	4.1	13.6
34½	23½	C.I. 10p	32	.....	0.9	2.5	4.0	11.4
108	56½	Camford Eng.	98	–3	—	—	—	♦
435	253	Carclo Eng.	435	.....	15.0	2.7	4.9	10.5
120	56	Castings 10p	105	.....	3.0	3.3	4.0	10.0
105	58	Chamberlin & Hill	96	.....	3.5	2.9	5.1	9.4
640	307	Cocwaring Group 5p	560	.....	†13.5	3.5	3.4	11.9
130	105	Do.Cnv.Rd.Pf 5p	123	+5	6.0	—	7.0	—
70	35	Christy Hunt	45	–2	8—	—	—	—
140	98	Clayton Son 50p	137	.....	7.0	2.2	7.2	9.0
[illegible]								

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS—Continued

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*60½	37½	Ang. African Fin 7½p.	50	.....	—	—	—	—
28	20⅛	Anglo Nordic	25	.....	0.4	—	2.3	—
135	100	♦Antler 5p	108	.....	s3.0	2.4	3.9	15.3
405	150	Appleyard (A & F) 10p	150	–2	6.0	2.9	5.6	8.5
46	32	Arenson 10p	42	.....	20.4	—	1.1	7.4
32	23	Armour Trust 10p	27	+1	0.2	7.0	1.1	13.9
*83	41	Ashley Ind. Tst. 5p	47	.....	—	—	—	35.2
*12	4	Assoc. Br. Eng. 1p	5	.....	—	—	—	♦
*426	166	Do. 8pcCumCnRdPf	215	+5	8%	—	5.2	—
312½	186½	Assoc Brit Ports	285	.....	b5.0	3.5	2.5	14.9
40	18	♦Assoc. Energy 5p	34	.....	—	—	—	—
140	95	Astley & Madeley 20p	135	–5	b4.5	3.0	4.7	10.1
£68	£45½	Astra AB Sk25	£67	–½	Q16%	♦	0.5	♦
373	262	Avon Rubber £1	363	+1	†5.7	4.0	2.2	12.2
*284	135	BBA Group	217	+1	F2.4	3.0	1.6	(29.0)
453	365	BET	420xd	+2	16.0	1.5	5.4	15.3
84	65	BETEC	81	+3	1.8	3.7	3.1	10.6
382	279	BOC Group	338	–1	†9.38	2.4	3.9	(11.9)
£281	£196	Do 9pcCvLn2001-06	£240	–1	Q9%	92.0	(3.8)	—
303	170	BSS Group 20p	298	.....	7.75	3.0	3.8	12.5
330	241	BTR	320	+5	b5.83	2.1	2.6	21.7
420	280	Baird (Wm.) £1	380	+5	h12.90	2.3	4.8	12.6
40	23	Bardsey	35	.....	8—	—	—	—
[illegible]								

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

... based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	59	....	Fin. 13% 97/02	£106½	....
Craig & Rose £1	£13½	....	Arnotts	205	....
Finlay Pkg. 5p	44	....	CPI Hldgs	45xd	....
Holt (Jos) 25p	825	....	Carrol Inds.	130	....
IoM Stm. £1	75	....	Dublin Gas	30	....
			Hall (R. & H.)	95	+10
IRISH			Heiton Hldgs.	29	....
Fund 11¾% 1988	£101¼	....	Irish Ropes	90	....
Nat. 9¾% 84/89	£98	....	Unidare	225xd	....

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Gilts fall to 6-month lows after poor money stock figures

The divergent trends which have developed in London share and bond markets since early last month widened still further yesterday. Following the 2.30 pm announcement of yet another poor set of money statistics, Government securities fell to the lowest levels for six months but leading shares were hardly affected. The majority experienced only a brief pause in an earlier resumption of their rising momentum.

Prior to the banking figures, the Gilt-edged market had appeared to be more settled. Traders were hoping for more encouraging news after a series of adverse developments and this was reflected in price recoveries of a half-point. However, a rise of 1¼ per cent in sterling M3 and accompanying sharp £2.5bn increase in bank lending exceeded forecasts and was too much for the market to swallow.

Dealers immediately lowered longer bonds a half-point but the move failed to deter nervous sellers and prices lost fresh ground. From then onwards buyers were very timid and with the market continuing to show dejection in the late trade both short and longer-dated Gilts closed a net ½ down at the lowest points since early-March. Index-linked were not immune and sustained fresh falls of ¼.

Equities were initially beset with caution. Wall Street's latest reaction was a deterrent and news of another fund-raising exercise — C. H. Beazer called for £183m via a rights issue to finance a US acquisition — was also a sobering influence. The scene brightened, however, when institutional buyers showed their hand.

The demand was selective and often focussed on stocks about to announce trading statements. British Telecom, BTR and British Aerospace, all of which report today, were high on buyers' lists with the emphasis on the first-named which received substantial Press coverage ahead of the event.

Mirroring the bounce back after Monday's technical shake-out, the FT Ordinary Share Index regained 7.4 of the previous day's fall of 14.7 to close at 1,331.1, while the broader-based FT-SE 100 Share Index picked up 6.8 at 1,673.4.

Provident fall

Provident Financial were an isolated dull feature in the banking sector, falling 27 to 303p, after 300p, on news of the 20 per cent interim profits contraction. Elsewhere, investors returned for the major clearers ahead of the forthcoming TSB flotation. Barclays led the way with a gain of 12 at 512p, and Midland firmed 10 at 580p. NatWest put on 8 at 560p and Lloyds improved 6 at 448p.

Bumper interim profits helped Willis Faber jump 20 to 440p and other Lloyds Brokers improved in sympathy. Minet added 7 at 268p. Composites ended the session with a late flourish. Sun Alliance closed 13 to the good at 742p and Royals 10 better at 874p.

Newage Transmissions staged a satisfactory debut in the Unlisted Securities Market, the shares settling at 77p compared with the placing price of 75p.

Guinness rallied 5 to 336p ahead of tomorrow's extraordinary general meeting in a quietly firm drinks sector.

Construction issues displayed a couple of contrasting movements. Costain met with further selling by nervous holders in front of today's interim statement and shed 14 to 554p, a two-day fall of 30. On the other hand, Taylor Woodrow, largely reflecting the efforts of a single buyer, moved up 15 to 330p. Alfred McAlpine softened a couple of pence to 446p following the uninspiring half-year figures, while Westbury shed 4 to 166p on details of the vendor placing at 155p per share to finance the acquisition of Christian Salveson's midlands housebuilding operation for £12.6m. Elsewhere, Baggeridge Brick gained 35 to 380p reflecting small buying in a restricted market, while Blockleys rose 30 more to 950p awaiting today's interim results. Polypipe closed a penny dearer at 171p, after 173p, following the annual results.

Chemicals were rarely altered although USM-quoted Dialene firmed 5 to 210p in reply to the good annual results. James Halstead improved 4 to 168p, but British Benzol lost 3 at 88p.

Ratners wanted

Speculative buying in the wake of an investment recommendation helped Ratners jump 8 to 232p, after 233p, in a market none-too-well supplied with stock. Cantors "A" gained 6 at 133p following the better-than-expected annual results, while Cecil Gee moved up 4 to 100p amid rumours that the group had sold its "Gee-2" retail outlets to French Connection. Lee Cooper added 10 at 218p and E. Upton "A" gained 3 afresh making a two-day advance of 11 at 46p. Leading Retailers featured Woolworth 10 lower at 675p on reports that Dixons was on the verge of selling its stake in the company for around 600p per share; the latter closed 4 dearer at 384p. Burton rose 4 to 312p and Harris Queensway appreciated 6 at 246p.

Cable and Wireless put on 10 to 327p and British Telecom, first quarter figures scheduled for today, rose 4 to 202p following comment on the Labour Party's new policies on nationalisation. Among other Electrical issues, Checkpoint Europe advanced 13 to 143p in response to the good half-year figures, while bid speculation left Stone International 7 to the good at 180p. VG Instruments, awaiting mid-term results, advanced 20 to 490p. Alphameric rose 6 to 196p on the proposed full listing, but sharply lower annual earnings left Sigmex 5 cheaper at 70p. PE International, still responding to favourable Press comment, put on 7 further to 190p.

Apart from Hawker, which eased 8 to 519p, leading Engineers showed little alteration. Elsewhere, Hopkinson continued to attract buyers and rose 5 further to 258p, but Delta drifted back 4 more to 192p ahead of Friday's interim statement. Speculative buying prompted a rise of 6 to 138p in Davy Corporation, while Blackwood Hodge closed a shade firmer at 45p after the interim figures. Howden Group moved ahead further to 105p, up 5.

The reappearence of buyers quickly uncovered stock shortages in the Food sector and prices moved ahea dstrongly to close at, or very near the day's best. Retailers revived strongly under the lead of ASDA-MFI, finally 4 higher at 158p, after 160p. Tesco rose 7 to 420p and J. Sainsbury firmed 4 to 422p. Dee Corporation gained 10 to 270p and Argyll 5 to 342p. Manufacturers also made progress although demand was rather more selective. Tate and Lyle edged forward to close 7 higher at 610p, while Ranks Hovis McDougall, still reflecting takeover hopes, added 5 more at 270p. Hillsdown Holdings rose 7 to 315p on news of the proposed ADR facility, but Rowntree Mackintosh encountered occasional offerings in front of today's half-timer and settled 5 cheaper at 410p. Bid hopes continued to bost Cliffords Dairies "A," up 12 more at 250p, while buying ahead of today's interim results lifted Tavener Rutledge 4 to 58p.

Traded option activity continued to stimulate Grand Metropolitan which touched 410p prior to closing a net 8 up at 408p; the company announced yesterday a reduction in its pension contributions to the tune of £10m per annum for the next five years.

C. H. Beazer fall

News of the proposed £183m rights issue prompted sustained selling of C. H. Beazer which were sold down to 208p before recovering slightly to close 20 lower on the day at 210p. Elsewhere in the miscellaneous industrial sector, interest centred on companies announcing trading statements. Booker ended 5 cheaper at 355p, after 248p, following the interim figures, while Pearson settled a couple of pence off at 533p, after 543p, also after mid-term results. Intereurope Technical Services, reflecting satisfactory preliminary figures, advanced 10 to 225p, while the interim statement prompted a rise of 5 to 102p in International Business Communications. BETEC, still responding to Press mention, improved 3 further to 81p, while Burns Anderson hardened 2 to 85p on news that Regentcrest had increased its stake in the company to 12.15 per cent. Pentland continued to attract buyers and put on 15 more to 470p, but comment on the interim figures prompted profit-taking in British Vita which fell away to 363p before settling 9 down on balance at 371p. British Aerospace, awaiting today's mid-term statement, closed 5 better at 468p. Technical Project Service gained 6 more to 135p, while Valor continued to attract buyers at 288p, up 7. Boots featured in the leaders, closing 8 to the good at 228p following newspaper comment regarding Hanson Trust's holding in the company. BTR, scheduled to reveal interim results today, closed 5 to the good at 320p.

Leisuretime International shed 3 to 92p on news of a £2.23m rights issue to fund the purchase of Worldwide Dryers, a leading UK warm air hand dryer company. Fairline Boats, a firm market recently on takeover speculation, eased 3 to 187p in the absence of any developments, while profit-taking clipped 4 from Lee International at 166p.

A couple of firm spots emerged among Motors. Honda jumped 48 to 574p and Jaguar rallied 7 to 533p.

Good Relations advanced strongly and closed 12 up at 120p, after 122p amid rumours of an imminent bid from Lowe Howard Spink; the latter added 5 at 400p following the increased interim dividend and more than doubled profits. Trade Promotion moved up 4 to 159p in response to the good preliminary results and higher dividend payment. Elsewhere, Davidson Pearce rose 7 to 155p and Lopex put on 5 to 120p.

Fund raising fears continued to depress the Property leaders. Land Securities closed 5 lower at 321p and MEPC gave up 6 at 330p. Elsewhere, Greycoat encountered sporadic selling and shed 6 to 242p, while Hammerson A slipped 5 to 410p. On the other hand, Marler Estates, reflecting the successful rights issue and takeover speculation, gained 27 to 525p. Marlborough touched 100p prior to closing 2 dearer at 99p pending the outcome of bid discussions with I. D. and S. Rivlin. Mountleigh were again favoured at 985p, up 10, while USM-quoted Trencherwood moved up 11 to 485p.

Courtaulds returned to favour among Textiles, rising 4 to 283p. John Crowther put on 4 at 182p as did Debron at 55p. Robert H. Lowe appreciated 5 at 145p and Earlys of Whitney gained 10 at 130p. Burmatex, on the other hand, lost 5 to 218p awaiting bid developments.

Kwahu continued firmly in response to a recent investment recommendation, closing a further 4 better at 46p. Elsewhere in Financial Trusts, M & G Group rose 17 at 300p.

Oils down again

A further weakening in spot oil prices brought late pressure to bear on leading oil shares. BP, which edged up to 681p during the morning session, fell back to close a net 6 down at 670p and Shell dipped 12 to 936p. Enterprise Oil eased 4 to 134p, while Britoil and LASMO fell a couple of pence apiece to 131p and 128p respectively. Burmah, scheduled to announce preliminary results tomorrow, fell a similar amount to 403p. Secondary issues were largely overlooked but INOCO and Charterhall were a shade better at 29p and 26p respectively.

Investors continued to show a keen interest in selected Overseas Traders. James Finlay gained 4 more at 92p, while improvements of 5 were seen in Nesco Investments, 86p, and REA Holdings, 197p.

Another shaky performance by precious metal prices disturbed the mining market which retreated across a broad front for the first time in over two weeks. A severe sell-off in platinum provided the trigger for the general setback in bullion and share prices. Platinum, which went limit-down in the US on Monday, came under intense pressure in London yesterday, sliding from an overnight New York level of around $650 to around $616 during afternoon trading in London. Bullion dropped to around $408 in Hong Kong, prior to the opening of the London market and thereafter gyrated before eventually closing a net $4 down at $412 an ounce.

South African gold and related issues moved sharply lower from the outset. Heavy selling from London, the Continent and Johannesburg saw prices retreat throughout the morning. A small-scale rally around mid-day quickly petered out and ensuing selling from the US during the early afternoon left share prices at or around the day's lowest levels. The Gold Mines index registered a 12.8 decline to 302.6.

Leading heavyweights were left with losses extending to £2½, as in Vaal Reefs, £50⅛. Randfontein settled £1½ off at £60½. Falls in the region of a point were common to Southvaal, £24½ and "Amgold," £51⅛. Of the cheaper priced issues, East Rand Proprietary dropped 26 to 432p, West Rand Consolidated gave up 13 to 215p and Elsburg fell 10 to 141p.

Financials lost ground in sympathy with Golds. De Beers gradually declined to end the session a net 12 off at 480p and "Johnnies" slipped £3 to £74.

Rustenburg Platinum lost 15 to 820p despite the chairman's statement at the annual meeting in Johannesburg indicating substantially higher profits during July and August following the upsurge in platinum prices. Impala dipped 20 to 800p.

UK-based Financials showed Consolidated Gold Fields a few pence easier at 540p, reflecting the trend in bullion, but Rio Tinto-Zinc held up well at 633p, sustained by the good showing by UK equities. Profit-taking lowered recently-buoyant Greenwich Resources 5 to 118p.

A sell-off in Australian markets overnight, prompted by the weakness of metal prices in New York and the decline on Wall Street, led London dealers to mark Australian mines lower at the outset of trading. Share prices continued to give ground during the day and generally closed at the session's lowest levels. Central Norseman Gold dipped 25 to 478p, Sons of Gwalia lost 14 to 283p, Gold Mines of Kalgoorlie 10 to 100p, North Kalgurli 4 to 52p. Junior exploration stocks also attracted persistent selling while the leading diversified issues were highlighted by Peko-Wallsend which came back 17 to 286p.

Dealers reported increased interest in Traded Options. Total contracts transacted amounted to 18,638 — 15,359 calls and 3,279 puts. British Telecom was active ahead of today's first-quarter figures with 3,351 calls and 543 puts done, while bid speculation continued to surround Boots and here, 3,417 calls and 56 puts were arranged. News of the pension fund surplus helped Grand Metropolitan attract 1,958 calls, while 1,051 calls were transacted in the FT-SE 100 index.

FINANCIAL TIMES STOCK INDICES

	Sept 9	Sept 8	Sept 5	Sept 4	Sept 3	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	87.48	87.76	88.47	88.76	88.98	82.72	94.51 (18/4)	80.39 (30/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.24	94.25	94.84	95.00†	95.00†	88.13	97.68 (7/7)	86.55 (13/1)	105.4 (28/11/47)	50.53 (6/1/75)
Ordinary	1,331.1	1,323.7	1,338.4	1,334.3	1,324.6	1,006.8	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	302.6	315.4	308.6	218.2	285.5	304.1	357.0 (27/8)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.15	4.17	4.13	4.14	4.18	4.69				
Earnings Yld.% (full)	9.57	9.60	9.50	9.52	9.57	11.52				
P/E Ratio (net) (*)	12.83	12.79	12.93	12.90	12.83	10.75				
Total Bargains (Est)	21,711	19,661	20,726	21,411	22,057	22,430				
Equity Turnover £m.	—	422.96	587.02	623.48	583.92	408.95				
Equity Bargains	—	23,225	23,292	22,620	22,398	19,476				
Shares Traded (ml).	—	194.1	254.6	276.0	253.8	202.3				

S.E. ACTIVITY

Indices	Sept 8	Sept 5
Gilt Edged Bargains	118.1	105.0
Equity Bargains	150.5	150.9
Equity Value	854.9	1186.5
5-Day Average		
Gilt Edged Bargains	112.3	106.4
Equity Bargains	148.3	149.1
Equity Value	1106.7	1158.8

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1317.8	1324.7	1327.8	1331.2	1330.9	1330.8	1330.9	1330.1

Day's High 1332.1. Day's Low 1317.8. †corrected

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil—12.31.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

NEW HIGHS AND LOWS FOR 1986

[illegible]

BASE LENDING RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TRADITIONAL OPTIONS

[illegible]

YESTERDAY'S ACTIVE STOCKS

[illegible]

MONDAY'S ACTIVE STOCKS

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

LONDON TRADED OPTIONS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Sept. 9	Price Sch.	+ or −
Credit'nst'lt pp	2,310	+10
Goesser	8,400	+25
Interunfall	14,000	+250
Jungbunzlauer	18,750	
Laenderbank	8,285	
Perlmooser	600	−25
Steyr Daimler	159	+4
Veitscher Mag	10,200	−210

BELGIUM/LUXEMBOURG

Sept. 9	Price Frs.	+ or −
B.B.L.	3,495	+5
Banq. Gen. Lux	16,500	
Banq. Int.A.Lux.	15,200	+100
Bekaert	11,650	−100
Ciment CBR.	5,900	−45
Cockerill	148	+5
Delhaize	3,150	
EBES	4,830	−30
Electrobel	14,925	
[illegible]	[illegible]	[illegible]

GERMANY

September 9	Price Dm.	+ or −
AEG	313	−4
Allianz Vers	2,465	−15
BASF	282	−1
Bayer	309.2	−2.8
Bayer-Hypo	623	−6
Bayer-Verein	340	−10
BHF-Bank	526	−5
BMW	627.5	−2.5
Brown Boveri	328	+3
Commerzbank	328	−4
Cont'l Gummi	322	−2
Daimler-Benz	1,290	−17
Degussa	489	−11
D'sche Babcock	206	−1
Deutsche Bank	815.5	−6.5
Dresdner Bank	437	−7
Feld-Muehle Nbl	316	−0.5
Henkel	440	−4
Hochtief	1,280	
Hoechst	277.5	−0.5
Hoesch Werke	155.1	−0.9
Holzmann (P)	680	−3
Horten	228.9	
[illegible]	[illegible]	[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices September 9

[illegible]

MONTREAL

Closing prices September 9

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 45

[illegible]

Indices

NEW YORK-DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 587 Declines 1,038

TORONTO	Sept 9	Sept 8	Sept 5	Sept 4	1986 High	1986 Low
Metals & Minls	2,196.78	2,182.8	2,199.93	2,199.48	2,442.86 (21/3)	1,917.4 (5/8)
Composite	3,094.89	3,082.29	3,107.58	3,096.4	3,129.11 (18/4)	2,764.8 (17/2)
MONTREAL Portfolio	1,557.83	1,558.81	1,588.82	1,561.38	1,823.33 (18/4)	1,296.6 (22/1)

* Indicates pre-close figure

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** Saturday September 6: Japan Nikkei 18,763.8, TSE 1,542.27.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500 NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes

(In pence unless otherwise indicated)

RISES		
Argyll Group	342	+ 5
Baggeridge Brick	380	+35
Boots	239	+ 8
Cable & Wire	327	+10
Cantors A	133	+ 6
Checkpoint Europe	143	+13
Clifford's Dair A	240	+12
Dee Corp	270	+10
Good Relat	120	+12
Grand Met	406	+ 8
Hillsdown	315	+ 7
Marler Est	525	+27
Pentland Ind	470	+15
Ratners	232	+ 8
Stone Intl	180	+ 7
Tesco	420	+ 7
VG Instrum	490	+20
Willis Faber	440	+20

FALLS		
Tr 11¾ 1991	£106⅞	− ½
Conv 10 2002	£101⅞	− ½
Beazer (C H)	210	−20
Central Norseman	478	−25
Costain	554	−14
Elsburg Gold	141	−10
MEPC	330	− 6
Provident Finan	303	−27
Shell Trans	936	−12
Sons of Gwalia	283	−14
Vaal Reefs	£50⅞	− 2¼

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13¾	AAR s	.44	1.8	19	258	24⅝	24¼	24⅜	−⅛
30	21¾	ADT	.92	3.9		152	23⅞	23⅝	23¾	
33	11½	AFG s	.08i	.3	16	667	30¼	29	29	−⅝
25⅜	13¾	AGS			13	271	18½	17⅞	17⅞	−⅜
15	9⅞	AMCA			269	28	10¾	10½	10¾	+⅛
60⅝	37½	AMR			14	8365	55⅜	53⅝	54⅜	−½
27½	23¼	ANR pf	2.67	10.		1	25¾	25¾	25¾	−¼
24	19¼	ANR pf	2.12	9.2		1	23⅛	23⅛	23⅛	−⅜
16¾	10	ARX	.71t	6.0	11	317	11⅞	11⅝	11⅞	+⅛
40⅞	28¾	ASA	2a	5.3		1058	38½	37⅜	37¾	−½
18⅝	9¾	AVX			27	247	11⅞	11½	11¾	+½
32	22⅝	AZP	2.72	9.0	9	1389	30⅜	30⅛	30⅞	
55	26⅝	AbtLb s	.84	1.8	22	3514	47½	46¾	47⅛	+⅜
32	19⅝	AccoWd	.56	2.0	18	38	28⅛	27¾	27¾	−⅛
14⅞	9	AcmeC	.40	3.6		91	11½	10¾	11	−¼
9¼	7	AcmeE	.32b	4.5	15	38	7¼	7⅛	7⅛	
22⅝	17	AdaEx	1.90e	8.8		49	21¾	21½	21⅝	+⅛
33⅝	16⅞	AdmMl	.40	1.5	12	31	28¼	27½	27½	−⅞
20⅝	12	AdvSys	.83t	6.2	14	152	16	15½	15⅞	
32⅞	14⅛	AMD				3951	19¾	18⅞	18⅞	−⅝
12⅝	5⅝	Adobe n				40	7⅝	7⅛	7⅛	−¼
18⅝	13¾	Adob pf	1.84	12.		10	15⅜	15½	15⅝	+¼
20¼	15¼	Adob pf	2.40	13.		5	18¾	18¾	18¾	+¼
18⅝	7⅜	Advest	.12a	.9	10	537	14¼	13¾	14	
66¼	42¼	AetnLf	2.64	4.3	10	3125	61¼	60¼	61	+¾
28¾	9¾	Ahmns	.46	2.1	7	4330	22¾	21⅝	21¾	
5¾	2½	Aileen			73	92	3⅞	3⅝	3⅝	−⅛
41⅝	25¾	AirPrd s	.80	2.3	63	1894	35¼	34¾	34¾	−1
27¾	16	AirbFrt	.60	3.2	16	37	19	18⅞	19	
2	⅜	AlMoanI	60c			35	15-32	7-16	7-16	−1-32
10¾	7⅝	AlaP dpf	.87	8.8		29	10	9⅞	9⅞	−⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29	18¾	BevIP n	1.38e	5.0		318	28¼	27⅝	27⅝	−¼
32	22⅞	BigThr	.88	3.1	66	1718	28½	28⅜	28⅜	
24⅞	10⅝	Biocft s			38	916	15⅝	15½	15½	−⅛
25¾	14½	BlackD	.40	2.4	14	1195	16⅞	16	16⅞	
29	16	BlkHC s	1.14	4.8	14	148	23⅞	23¼	23⅞	+⅜
30½	18½	BlairJn	1.50r	5.2		366	29	28⅞	29	+⅛
45⅝	27⅞	BlkHR s	1.48	3.4	18	169	43¾	43	43¼	+⅜
64⅞	41½	Boeing	1.20	2.0	14	3116	59⅞	58⅞	59¼	+½
61½	39⅝	BoiseC	1.90	3.2	19	x500	60¼	59	59¼	−⅞
57	48¼	Boise pfC				x9	55½	55½	55½	−⅝
47⅞	28½	BoltBer	.10	.2	34	106	44½	43⅞	43⅞	−⅝
51	24¼	Bordens	1.12	2.5	17	990	45½	45⅝	45⅝	−⅜
38½	19¾	BorgWa	.96	2.9	14	1281	33¾	33¼	33⅝	+¼
25¾	8½	Bormns	.10e	.4	12	152	25⅛	24¼	24¾	+⅜
55¾	36⅝	BosEd	3.44	6.6	11	584	53½	52	52⅝	−1½
28	18¼	BosEd wi				6	27⅛	26¾	26¾	−⅜
100½	78½	BosE pf	8.88	8.8		z1550	100½	99¾	100½	+1½
13	10¾	BosE pr	1.17	9.4		43	12½	12¼	12½	+¼
16⅝	13¼	BosE pr	1.46	9.1		19	16¼	16	16	−¼
33⅛	21	Bowatr	.72	2.5	16	707	29⅜	28¾	28¾	−½
40⅞	25⅜	BrigSt	1.60	4.7	14	463	34⅞	33⅝	34⅛	+⅞
88½	53⅜	BristM	2.20	2.9	19	5686	76½	75¼	75⅜	+⅜
4⅝	2⅞	BritLnd				10	2⅞	2⅞	2⅞	−⅛
43	27¾	BritPt	2.48e	6.1	8	1655	41	40⅝	40½	−⅝
44	27¼	BritTel	1.34e	4.4	12	147	30½	30⅛	30¼	+⅝
12⅞	7¾	Brock n				70	8⅝	8¼	8½	
44⅞	24	Brckwy	1.32	3.1	13	66	43¾	43⅛	43¼	−¾
28⅞	19¼	BkyUG s	1.52	6.0	14	158	27⅞	27	27	−½
30½	20¾	BwnSh	.40	1.7	11	29	23⅝	23	23⅝	
43⅝	29¾	BrwnGp	.44	4.1	15	x638	35⅞	35	35½	−⅛
44⅞	24	BrwnF s	.64	1.5	23	1133	42⅝	41⅝	41⅞	−⅝

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Continued on Page 45

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
53¾	39⅞	PaPL	pf4.40	8.4		z200	52½	52½	52½	+1½
53⅜	39½	PaPL	pf4.50	9.0		z270	51½	50	50	
96	69	PaPL	pr8.40	8.9		z200	94	94	94	
105½	91	PaPL	pf9.24	9.0		z100	102½	102	102½	+1¼
110½	97	PaPL	pr 11	10.		z80	110	109	109	+1
111	102¼	PaPL	pr 13	12.		z50	111	111	111	+2
98½	70¼	PaPL	pr8.70	9.0		z280	97	96¼	97	+¾
57	36	Pennwlt	2.20	4.4		200	49¾	49¼	49½	+⅛
87½	64	Pennw	pf2.50	3.3		5	75½	75½	75½	+1½
34¾	22⅝	Pegw	pf1.60	5.2		33	31	29¾	30½	−½
91	44½	Pennzoil	2.20	3.9	32	678	57⅜	56¼	56¾	+¼
23¾	14⅞	PeopEnl	.32	5.8	10	363	22⅞	22¼	22⅞	+⅛
48¾	21⅜	PepBoy	.22	.6	29	639	41¼	39⅜	39¾	−2
35⅝	19⅛	PepsiCo	.64	2.2	19	10817	29⅞	29	29¾	+⅞
36⅞	23	PerkEl	.60	2.2	17	924	28⅜	27¼	27½	−¼
8¼	5¾	Promian	.84e	13.	6	336	6¾	6⅝	6⅝	
20⅞	12¾	PeryDr	.22	1.5	17	343	14⅝	14¼	14½	+⅛
35¾	19¼	Petrie	s .70	2.6	18	1710	27⅜	27	27⅛	
30¾	22¾	PetRs	3.51e	12.		126	u30⅞	30⅜	30⅜	−⅜
19½	15⅞	PetRs	pf1.57	8.2		25	19¼	19⅛	19¼	
3⅝	1⅞	Ptrinv	.45e	19.		63	2⅜	2⅛	2⅜	
72⅞	43¾	Pfizer	1.64	2.6	17	7455	63⅞	62½	62½	−½
32½	16	PhelpD			36	2846	22⅝	22	22¼	
63	46¾	Phelp	pr 5	9.2		47	54¾	54½	54½	
24	14	PhilaEl	2.20	9.9	9	5780	23⅛	21⅝	22¼	+⅜
48	30¾	PhilE	pf4.30	9.6		z500	45	45	45	−½
47	32½	PhilE	pf4.40	9.8		z300	46	45	45	−½

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¼	9⅝	SavEP	s							
48¾	20¾	SavE	1.34							
14½	11	SavE	pf1.28							
7⅝	2	Savin								
12⅞	3⅝	Savin	pf							
42⅞	23⅝	SCANA	2.24							
86	45	SchrPlo	.80							
37¾	27¼	Schlmb	1.20							
14¾	6½	SciAtl	.12							
63¾	40	ScottP	1.24							
18⅛	12⅜	Scotys	.52							
34¼	18⅝	SeaCnt	.42							
14⅝	10¼	SeaCt	pf1.46							
16⅞	11	SeaC	pfB2.10							
17	10½	SeaC	pfC2.10							
51¼	43	SeaC	pfD4.12							
30¾	18⅛	SeaLnd	.34							
4½	1¼	SeaCo								
64	37⅜	Seagrm	1							
19⅜	12⅛	Seagul								
43¾	28⅛	SealAir	.48							
31¼	23½	SealPw	1.10							
50⅜	37⅜	Sears	1.76							
107¾	102¼	Sear	pf7.13e							
40¼	24⅞	SecPac	1.48							
37⅛	23⅞	SvcCp	s .40							
15⅞	3⅝	SvcRes								
26	13¾	Shaklee	.72							
23⅜	9¼	Shawlnd	.40							

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37⅛	19	SDieCP	1.82	5.1	11					
17½	5⅜	vjSalant				47	13⅝	13⅛	13⅛	−1⅛
62½	31¼	SallieM	.24	.4	20	2180	56½	53½	54	−¾
52⅞	49⅛	SallM	pf2.85e	5.7		2255	50⅜	49⅝	50⅛	+⅛
58⅝	34⅜	Salomn	.64	1.5	11	4067	44⅞	43⅝	44	
42½	24¾	SDieGs	2.36	6.3	11	577	38⅛	37⅝	37⅞	−⅜
9¼	6⅞	SJuanB	.52e	6.1		727	8½	8⅜	8½	
12¾	10	SJuanR				39	10½	10⅛	10⅜	+⅛
32¾	22⅝	SAnltR	2.04	6.9	18	98	29½	29⅛	29⅝	+⅛
26⅜	16½	SFeEP	n2.88	13.		167	23⅜	22¾	23	
39⅝	26¾	SFeSoP	1	3.1	14	7170	32	30¾	31¾	+⅜
79⅜	41⅝	SaraLe	1.60	2.5	16	1443	66⅞	64	65	−2
51½	49¼	SaraL	pf2.85e	5.7		100	49⅞	49⅞	49⅞	−⅛
41⅝	33⅝	SgtWel	1.48	3.9	18	2	38	38	38	−¼
19	16	SaulRE	.20	1.1	47	24	18¾	18½	18½	−¼

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¾	6½	Tultex	s .32	1.9	16	578	18½	17⅛	17⅛	−1⅛
20¾	14¼	TwinDs	.70	4.7		31	15⅛	14⅞	14⅞	
37¾	17⅞	TycoL	s .40	1.1	18	818	35⅞	35⅜	35⅞	+⅞
17¾	11¼	Tyler	.40	3.3	15	142	13	12	12	−½

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12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
64¾	45	UAL	1	1.7		2505	59	57¾	58½	+¾
26¼	13¼	UCCEL			22	84	24⅜	23⅞	24	+⅛
20¾	14⅞	UDC	s 2	10.	5	x366	19¾	19⅛	19¼	+⅛
28¼	20	UGI	2.04	7.5		126	27¼	26⅝	27⅛	+⅜
13⅝	9	UNCInc			18	416	11¼	10⅞	11⅛	+¼
18⅝	10⅞	URS	.35r	2.3		136	15¾	15⅛	15⅜	−⅜
46¾	30¼	USFG	2.32	5.7	32	4389	40¾	39⅝	40⅝	−⅛
67¾	62¾	USFG	pf4.10	7.2		68	56¾	56⅜	56¾	
44¾	18¼	USG	s 1.12	2.5	12	4476	u45½	42½	44¾	+1½

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	15	Wynns	.80	2.8		x61	21⅝	21⅜	21½	+⅜

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¼	Xerox	3	5.2	18	2025	58	57¼	57⅜	+⅛
59¼	53½	Xerox	pf5.45	9.7		52	56⅛	55⅞	56⅛	
26¾	20⅜	XTRA	.64	2.7		156	24	23⅜	23¾	
17⅝	13½	Yorkin n				182	16⅝	16¼	16½	−¼
39	26½	ZaleCp	1.40	4.0		35	35½	35⅛	35⅛	
29	27¼	Zale	pfA .80	2.9		10	27½	27½	27½	−½
9½	3¼	Zapata	.03j			193	3½	3⅜	3½	
43⅞	23⅞	Zayre	s .32	1.2	18	4917	27⅛	25⅞	26¼	−½
17	10½	Zemex	.40	3.8	11	5	10½	10½	10½	−¼
29⅞	16¾	ZenithE				354	24	23¼	23¼	−½
16¼	8	ZenLb	s		13	1384	10	9½	9⅝	+⅛
22⅝	14⅝	Zero	s .29	1.8	16	87	16¾	15⅞	16⅛	+⅛
45¾	32¾	Zurnln	1.32	3.6	14	82	37⅜	37	37	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hlds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Early rally falters at midsession

US STOCK MARKETS tried to rally from their recent losses yesterday, but proved unable to sustain their early gains, *writes Terry Byland in New York.*

Views on the outlook for the economy remained bullish but bargain hunting pushed federal bonds up by three quarters of a point in early trading. Blue chip stocks opened sharply, putting the Dow ahead by 12 points in the first half hour, but support waned at midday.

The second half of the session saw the blue chips mostly on the downside, while the broader market was mixed.

At the close, the Dow Jones industrial average was a net 4.50 points down at 1,884.14. NYSE turnover was brisk, at 138.3m shares.

While Wall Street still believes that the next move in interest rates will be upwards, inflation worries have been cooled by the setback in gold prices. Investors were clearly attracted into the market yesterday by the falls of the two previous sessions.

Interest rate-oriented issues remained cautious, with the Dow utilities average unable to sustain an early rise. Chubb stood out among insurance stocks, rising $1¼ to $68⅝, but Aetna Life & Casualty, up $⅝ to $60⅞, Chase Manhattan, up $¼ at $38⅞ and Bankers Trust, down $¼ at $47⅞, saw only modest trading.

But industrials were featured by gains in IBM and General Motors. Big Blue, recommended this week by First Boston, added a further $⅝ to $143⅞ in heavy turnover. GM, a weak spot recently, rallied $⅝ to $71½ in moderate trade after Ms Maryann Keller, a celebrated motor industry analyst, recommended GM as a defensive, good yielding stock.

Ford at $57⅞, added $⅜ and Chrysler edged up $⅝ to $39⅜ in modest turnover.

But IBM's strength set light to the technology stocks, where the newly-shaped Burroughs jumped $⅞ to $72⅜ – but in very slight turnover. Digital Equipment added $⅜ to $100⅞. Honeywell $1 to $70⅜ and NCR $⅜ to $56.

Helping industrials was a rally in the Dow transportation average, reflecting firmness in both airline and railroad issues.

There was renewed demand for Norfolk Southern – the board could give no reason for the rise in stock which added another $⅛ to $84⅜. CSX edged up $⅛ to $30⅜.

The domestic airline carriers continued to respond to favourable investment comment on the newly shaped industry produced by the deregulation of the late 1970s – analysts believe this has heightened the opportunities for the established names. United added $⅜ to $58⅜, American $¼ to $55, while People Express, awaiting developments following the collapse of its bid to sell Frontier, held steady at $3⅜.

There was some hefty "churning" in oil stocks, although prices were generally a shade easier. Exxon at $69⅝ eased $⅜, Atlantic Richfield $⅜ to $59⅝. Schlumberger, the oil services group favoured recently by takeover speculators, eased $⅛ to $33⅝.

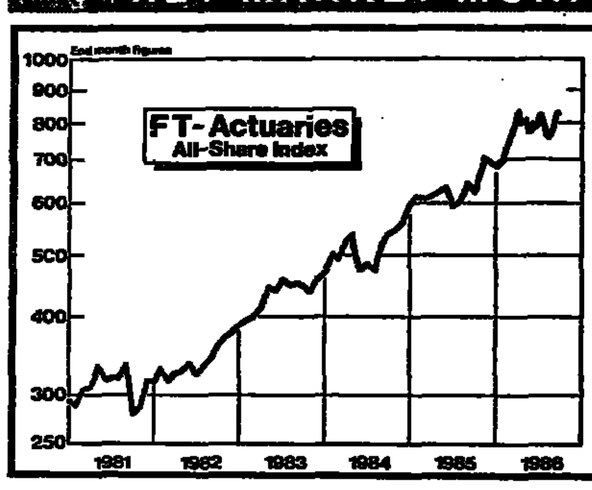
A sharp rebound in pharmaceuticals reflected bargain-hunting in the wake of Monday's setback. Gains were trimmed at midsession, however, leaving Merck $1 down at $104 and Pfizer $⅛ up at $62⅝. This week's firmness in the dollar has cast uncertainty over the outlook for sales by US pharmaceutical groups, which lean heavily on international markets.

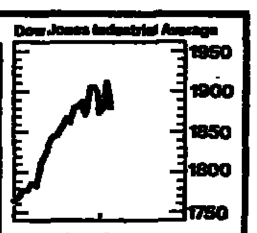
Retail stocks joined in the market rally, but chalked up only modest gains. Sears, restrained by the potential impact of higher interest rates on its financial services divisions, eased $⅜ to $44⅜. J. C. Penney gained $⅛ to $76⅛ but saw very light trade.

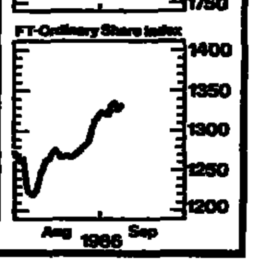
The downward reversal in bullion prices had little effect on mining stock prices. ASA, the closed-end investment trust which provides the chief vehicle for US investment in South African gold mining stocks, shed $⅛ to $38⅛.

Turnover in the bond market was thin, but prices moved up sharply as traders squared themselves for this week's batch of federal economic data. At the short end, Treasury bill rates showed little change and rates on CDs gave back a little of Monday's gains.

KEY MARKET MONITORS







STOCK MARKET INDICES

	Sept. 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,884.14	1,888.36	1,339.27
DJ Transport	782.50	777.75	679.42
DJ Utilities	210.47	210.69	158.75
S&P Composite	247.67	248.14	2,780.7
LONDON			
FT Ord	1,331.1	1,323.7	1,006.8
FT-SE 100	1,673.4	1,666.6	1,329.30
FT-A All-share	825.80	822.96	636.85
FT-A 500	907.30	904.11	700.11
FT Gold mines	302.6	315.4	304.1
FT-A Long gilt	9.82	9.77	10.42
TOKYO			
Nikkei	18,474.18	18,552.25	12,455.70
Tokyo SE	1,520.81	1,524.55	1,003.39
AUSTRALIA			
All Ord.	1,220.6	1,235.5	954.8
Metals & Mins.	587.8	599.8	529.5
AUSTRIA			
Credit Aktien	239.23	239.17	196.23
BELGIUM			
Belgian SE	4,034.33	4,020.48	2,435.99
CANADA	Sep 9	Prev	Year ago
Toronto			
Metals & Minls	2,196.70	2,182.80	2,050.0
Composite	3,094.60	3,092.20	2,780.7
Montreal			
Portfolio	1,557.63	1,550.81	135.82
DENMARK			
SE	194.06	193.62	218.41
FRANCE			
CAC Gen	400.40	404.60	223.2
Ind. Tendance	153.50	155.00	81.81
WEST GERMANY			
FAZ-Aktien	684.40	693.57	511.85
Commerzbank	2,064.60	2,069.00	1,498.50
HONG KONG			
Hang Seng	1,966.02	1,969.98	1,650.83
ITALY			
Banca Comm.	784.63	773.29	379.46
NETHERLANDS			
ANP-CBS Gen	298.30	299.40	221.5
ANP-CBS Ind	299.40	300.10	193.7
NORWAY			
Oslo SE	377.96	378.45	352.45
SINGAPORE			
Straits Times	837.39	841.97	750.42
SOUTH AFRICA			
JSE Golds	–	1,811.0	1,004.4
JSE Industrials	–	1,373.0	941.6
SPAIN			
Madrid SE	203.91	closed	81.55
SWEDEN			
J & P	2,454.48	2,415.95	1,471.58
SWITZERLAND			
Swiss Bank Ind	570.90	578.30	486.2
WORLD	Sept. 8		
MS Capital Int'l	354.60	359.6	215.5

COMMODITIES

(London)	Sep 9	Prev
Silver (spot fixing)	380.90p	371.75p
Copper (cash)	£907.75	£910.00
Coffee (Sept)	£2,337.50	£2,352.50
Oil (Brent blend)	$14.60	$15.10

GOLD (per ounce)

	Sep 9	Prev
London	$412.00	$416.00
Zürich	$411.50	$417.375
Paris (fixing)	$410.25	$413.60
Luxembourg	$412.85	$419.75
New York (Cec)	$414.40	$416.40

CURRENCIES

(London)	US DOLLAR Sep 9	US DOLLAR Previous	STERLING Sep 9	STERLING Previous
$	–	–	1.4835	1.4870
DM	2.0600	2.0715	3.0550	3.0800
Yen	155.60	156.10	230.75	232.00
FFr	6.7300	6.7750	9.9850	10.075
SFr	1.6750	1.6890	2.4850	2.5125
Guilder	2.3225	2.3375	3.4450	3.475
Lira	1,420	1,427	2,106.5	2,122
BFr	42.70	42.75	63.35	63.55
C$	1.3810	1.3845	2.0516	2.0595

INTEREST RATES

	Sep 9	Prev
Euro-currencies (3-month offered rate)		
£	10	10
SFr	4⅜	4⅜
DM	4½	4½
FFr	7⅛	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6
6-month US$	6⅛	6
US Fed Funds	5⅞*	5⅞
US 3-month CDs	5.80	5.875
US 3-month T-bills	5.19*	5.41

US BONDS

Treasury

		September 9* Price	September 9* Yield	Prev Price	Prev Yield
6⅜	1988	99²¹⁄₃₂	6.311	99²⁰⁄₃₂	6.26
7¼	1993	100⅜	7.191	100¹⁷⁄₃₂	7.17
7⅜	1996	100⅛	7.354	100⅜	7.35
7¼	2016	96¹¹⁄₃₂	7.546	99¹⁷⁄₃₂	7.30

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Sep 9* Day's change	Yield	Day's change
1–30	155.02	–0.56	7.15	+0.09
1–10	148.32	–0.35	6.83	+0.10
1– 3	139.52	–0.13	6.37	+0.09
3– 5	150.67	–0.42	7.06	+0.11
15–30	179.16	–1.32	8.22	+0.06

Source: Merrill Lynch

Corporate	September 9 Price	September 9 Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91.61	6.40	91⅜	6.513
SCBT South Central				
10⅞ Jan 1993	106⅜	9.591	106⅜	9.591
Phibro-Sal				
8 April 1996	98.75	8.189	98.679	8.2
TRW				
8⅜ March 1996	101⅜	8.515	101⅞	8.457
Arco				
9⅞ March 2016	105½	9.324	105	9.372
General Motors				
8⅛ April 2016	90⅜	9.025	90⅜	9.078
Citicorp				
9⅜ March 2016	98	9.579	97½	9.631

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	97–17	97–29	97–08	96–24
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.76	94.78	94.75	94.73
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	94.42	94.45	94.40	94.40
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	94.07	94.09	93.02	94.03
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	117–05	117–28	117–05	117–28

* *Latest available figures*

TOKYO

Pessimism on rate cuts fuels selling

WEAKER expectations for another round of discount rate cuts by industrial countries sparked light selling in Tokyo yesterday which drove equities lower, *writes Shigeo Nishiwaki of Jiji Press.*

Some bluechip stocks held firm on buying by investment trusts triggered by the easier yen against the US dollar.

The Nikkei average shed 78.16 to 18,474.09 for its third consecutive daily decline. Volume weakened from 549.09m to 511.51m shares. Declines outnumbered advances by 575 to 252, with 136 issues unchanged.

The market remained lethargic, as investors were discouraged by the fifth consecutive overnight rise in US long-term interest rates, due to surging gold prices. Another unfavourable factor was the caution expressed by Japanese Finance Minister Mr Kiichi Miyazawa on Monday about Japan making a fourth discount rate cut this year, following his talks with US Treasury Secretary Mr James Baker on Saturday.

Investor concern deepened on speculation that five major Japanese steelmakers would forego interim dividend payments for the first half (April-September) of this fiscal year due to worsening business performances, affected by the stronger yen and lower steel product prices. Nippon Steel is forecast to suffer a half-year recurring loss of nearly Y40bn ($256m) and loss estimates for the other four range from Y20bn to Y30bn.

Stock margin buying hit a record in Japan in the week to September 6 as the outstanding balance of contracts on the Tokyo, Osaka and Nagoya exchanges rose Y45.2bn to a record Y4,105.8bn. This marks the 21st consecutive week-on-week rise and the 20th week in a row that a record was set.

Large capital stocks fell almost across the board in small-lot selling. Nippon Steel slipped Y5 to Y224, Nippon Kokan Y7 to Y278 and Kawasaki Steel Y7 to Y240. Among heavy electricals, Toshiba shed Y5 to Y720, although it topped the active stock list with 44.22m shares traded. Mitsubishi Heavy Industries, second busiest with 23.77m shares, eased Y6 to Y630.

By contrast, electricals and other bluechip issues were favoured by the dollar's rise to above Y156 and light buying by some investment trusts. NEC climbed Y70 to Y1,990 after gaining Y90 at one stage, Matsushita Electric Industrial Y70 to Y1,710, Toyota Motor Y90 to Y1,830 and Fujitsu Y27 to Y995.

Market sources are interested in the movements of investment trusts, as investment trust management companies plan to establish funds worth Y1,080bn during September. Of the total, Y390bn is expected to be used for purchasing equities and thereby to boost the lacklustre market.

Bonds strengthened on active buying by dealers. The yield on the bellwether 6.2 per cent government bond due in July 1995 plunged from 4.665 to 4.625 per cent after moving up to 4.685 per cent at one stage in the morning.

The market rally was due to buying by big securities companies, which considered the market had hit bottom at a yield of around 4.685 per cent. Dealers did not seem pessimistic despite the fact that another round of discount rate cuts was not endorsed at the Miyazawa-Baker meeting. However, they remained reluctant to buy steadily.

CANADA

HIGHER OIL, industrial and metal issues pulled other sectors higher in Toronto trading.

Hiram Walker will remain suspended until October while its shareholders decide on a merger with Gulf Canada. Meanwhile, Gulf firmed C$⅛ to C$14⅜.

Most sectors joined in Montreal's advance.

EUROPE

Institutions point way to higher peaks

THE PACE OF TRADING quickened on the European bourses yesterday on renewed institutional and foreign buying.

Brussels continued on its record run. The Belgian Stock Exchange index peaked again with another 13.85 gain to 4,034.33 on strong domestic and overseas institutional support and the more stable dollar.

Petrofina, which led the market to peaks on Monday, suffered a dose of profit-taking that trimmed BFr 100 off its prices, at BFr 9,600.

Imperial Continental Gas Association, a UK institution, has reportedly been a major buyer of Petrofina stock in recent sessions in an attempt to prevent a dilution of its holding in any portfolio moves by the two leading Belgian holding companies Groupe Bruxelles Lambert, up BFr 55 at BFr 3,535 and Société Générale de Belgique, up BFr 5 at BFr 3,255.

Petrofina was the most active in the session with more than 23,000 shares traded.

Banks were mixed with Royale Belge scoring one of the best gains of the session with its BFr 300 jump to BFr 28,000, while Kredietbank held steady at BFr 18,000.

Sofina hit a new high for the year with its BFr 200 advance to BFr 11,800, while Gevaert continued to lose ground with a further BFr 80 fall to BFr 6,190.

Bekaert retreated BFr 100 to BFr 11,650 on its lower first-half results and in reaction to Monday's sharp gain.

Frankfurt remained in its narrow trading range as the Commerzbank index retreated 24.4 points to 2,064.6 after Monday's 25 point rise. The less optimistic mood on interest rates ahead of tomorrow's Bundesbank policy making council meeting also acted as a dampener.

Leading car stock Daimler dropped a further DM 17 to DM 1,290, while Porsche continued to derive some benefit from its higher US sales with its DM 58 jump to DM 1,175. VW slipped DM 2.50 to DM 539.

The banking sector failed to staunch the losses of the previous session as Bayerische Vereinsbank lost DM 10 more to DM 540 and Dresdner at DM 437 was DM 7 cheaper. Deutsche Bank fell DM 5.50 to DM 815.50.

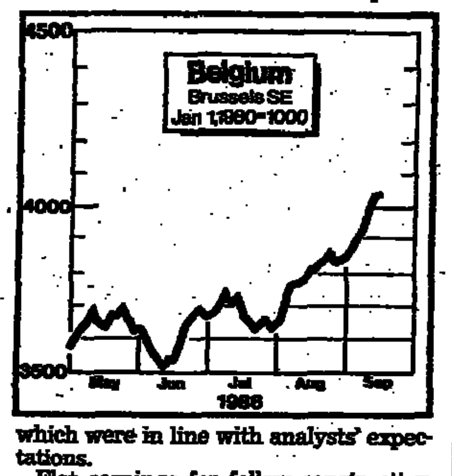
The bond market was mixed with movements of up to 35 basis points and the Bundesbank surprised some dealers with a DM 29.4m sale of domestic paper after buying DM 49.3m in the previous session. The average yield on public authority paper edged up to 5.67 per cent.

Amsterdam was awash with corporate news but the market turned mixed at the close. The ANP-CBS General index eased 1.1 to 298.3 as many investors moved to the sidelines ahead of next week's budget proposals.

Unilever slipped 80 cents to Fl 516, above its low for the day, in response to the group's appointment of a new finance director.

Akzo added Fl 1.70 to Fl 163.30 ahead of the news that the Environment Ministry was suing a subsidiary of the group for Fl 75m over alleged pollution.

Builder HBG eased 50 cents to Fl 148.50 on its Fl 22m first-half profits



which were in line with analysts' expectations.

Flat earnings for fellow construction group Volker Stevin triggered a Fl 4 setback to Fl 37.

Elsewhere, banks scored modest gains, while insurers and publishers were mixed.

Milan staged a solid recovery from Monday's sharp decline as domestic institutions and foreign buyers dominated early trading. Late profit-taking trimmed some of the advances which included a small L5 gain to L3,315 on its capital raising plans. Iniziative Me. Ta., a Montedison holding company, dipped L290 to L23,800 on concern over its takeover of a stake in insurer La Fondiaria. Olivetti added L500 to L18,300.

Zurich was actively lower under profit-taking pressure although the underlying sentiment was described by brokers as firm. Jacobs Suchard was dragged SFr 125 down to SFr 8,050 despite its stronger first-half profits.

Paris finished weaker in moderate trading, while **Stockholm** was buoyed by steady institutional support and on the hopes of further falls in the oil price. **Madrid** edged lower after its Monday holiday.

SOUTH AFRICA

AS THE PRICE of bullion dipped, gold issues in Johannesburg followed suit, but a stronger rand kept losses to a minimum.

Randfontein dropped R10 to R390, Vaal Reefs gave up R7 to R330, while Libanon shed R1.25 to R71.25 and Villages 20 cents to R2.55.

Banks were higher, however, with Barclays – which is now listed on the New York Stock Exchange – 50 cents higher at R22 and Nedbank 15 cents up to R6.05. Stores group OK Bazaars was one of the other few gainers, rising 25 cents to R16.50.

LONDON

CAUTION took hold in London as dealers were intimidated by Wall Street's poor performance and news of another fund-raising exercise – C. H. Beazer (down 20p at 210p) called for £183m through a rights issue. But the prices of most issues were not affected.

Government securities crashed to their lowest levels in six months following news however, of yet another poor set of money statistics. Short and longer-dated gilts closed a net ⅛ down at the lowest point since early March while index-linked stocks sustained fresh falls of ⅛.

Mirroring the bounce back after Monday's shake-out, the FT Ordinary share index regained 7.4 of its previous fall to close at 1,331.1 and the FT-SE 100 picked up 6.8 to 1,673.4.

Chief price changes, Page 43; Details, Page 42; Share information service, Page 40-41

AUSTRALIA

AFTER riding high for the past few sessions on the price of bullion, Sydney turned sharply lower following a fall in precious metal prices.

Industrials were also weaker on renewed fears about the domestic currency and the economy. BHP shed 2 cents to A$7.84 as investors ignored the record oil flow from its Challis Three appraisal well in the Timor Sea.

In the gold mining sector, Western Mining Corporation – active with 2.2m shares changing hands – dropped 11 cents to A$3.75, Central Norseman fell 50 cents to A$11.80, GMK 40 cents to A$12.60 and Kidston a similar amount to A$12.60 also.

HONG KONG

TURNOVER was almost halved in a quiet session in Hong Kong where prices drifted lower.

The value of shares traded dropped to HK$396m from HK$630m on Monday and the Hang Seng index inched 3.96 lower to end at 1,966.02.

Profit-taking was seen to lay behind the lower trend. In properties, Cheung Kong eased 10 cents to HK$25.00, Hongkong Land 5 cents to HK$6.65, Sun Hung Kai Properties 30 cents to HK$15.80 and New World Development was steady at HK$7.20.

SINGAPORE

SELECTED blue chips managed slight gains in Singapore despite a bout of profit-taking which dragged prices lower across a broad front.

The Straits Times industrial index slipped 4.58 to 837.39 and volume dwindled to 22.2m shares from 27.9m traded on Monday.

Rumours about Promet, the beleaguered Malaysian oil-exploration and property group, pushed it 6 cents down to 41 cents in active trading. This created some nervousness among second-tier and other Malaysian issues.